THE INC. 500: AMERICA'S FASTEST-GROWING PRIVATE COMPANIES

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CONTENTS

THE INC. 500

71 The *Inc.* 500: America's Fastest-Growing Private Companies

72 Behind the Scenes BY MARTHA E. MANGELSDORF
Seed-capital sources; hot industries; humbling mistakes. An inside look at the companies creating jobs and wealth in a recessionary economy

82 Built on Speed BY EDWARD O. WELLES
Kingston Technology shot up to $230 million in sales and the top spot on the 500 with no debt and no outside equity. How?

90 How to Launch an *Inc.* 500 Company BY JOHN CASE
What many booming businesses have in common isn't sorcery, it's a simple strategic idea—one as applicable to strugglers as it is to fast-track money-makers

101 The Next Generation BY BRUCE G. POSNER
The 30 *Inc.* 500 CEOs who are age 30 or younger on the managerial benefits of youth

107 Index
An alphabetical listing of the companies

109 The List
From #1 to #500, facts on growth, sales, employees, and profits

FEATURES

147 GOOD FORM
The New, Improved Organization Chart BY TERI LAMMERS
How does your company really work? Gail Hering decided to abandon the traditional top-down pyramid for a more accurate—and productive—depiction

151 MANAGEMENT TOOLS
The Secrets of Great Planning BY LESLIE BROKAW
With chaos the growth-business norm, every company builder *wants* to plan—to set long-term strategic goals and short-term agendas—but few ever do it. Here's how one does

161 The Enigma of Entrepreneurial Wealth BY GEORGE GILDER
America's wealth can grow only if the people who create it control it

HANDS ON

29 Sales and Marketing EDITED BY SUSAN GRECO
Changing your industry's image • Sales-rep boot camp • Selling to big companies

33 Managing People EDITED BY ELLYN E. SPRAGINS
The perfect suggestion box • Reverse performance reviews • Employee-lawsuit insurance

41 Banking and Capital EDITED BY BRUCE G. POSNER
Test-driving acquisitions • Financing purchase orders • How to spot a bank in trouble

49 Financial Strategies EDITED BY JILL ANDRESKY FRASER
Finding accountants • Buying bankrupt businesses • Managing health-insurance costs

53 In the Office EDITED BY ROBERT A. MAMIS
Backache prevention • Forgery-proof business forms • Software help around the clock

61 The *Inc.* Network EDITED BY MICHAEL P. CRONIN
How to write a business budget • Hiring independent reps • Ethnic-marketing tactics

DEPARTMENTS

9 FYI

15 The *Inc.* FaxPoll™

22 Letters

67 New Businesses

198 The American Dream: Business for Sale

82 John Tu and David Sun
The founders of the #1 company on the 500

123 James Taggart
Leading ordinary businesses to extraordinary growth

49 Cash Flow
How one CEO balances the books daily

The Inc. FaxPoll™

DO YOU HAVE A RIGHT TO KNOW?

Drug and alcohol abuse just isn't a big management issue for you. Most don't test for it. But whether or not you think you have the right to do so is a different matter.

50%

YES

DO YOU HAVE A WRITTEN SUBSTANCE-ABUSE POLICY?

No

50%

The majority of respondents feel that drug and alcohol abuse is at worst a minor issue. Maybe that's why this poll received by far the fewest responses we've ever gotten. Could it be that many readers didn't think it was a big enough issue to even take the poll? The larger the company, the more likely it was to report a problem with drug and alcohol abuse. Not surprisingly, then, larger companies are also far more likely to have a written substance-abuse policy. Does that mean drug- and alcohol-related problems in smaller companies are almost nonexistent? Or are those companies just not aware of the problem? According to Carl King, CEO of Team Building Systems, a preemployment-screening company in Houston, small businesses, whether they know it or not, are just as likely to have problems as large ones. "Really small companies, like those with fewer than 10 employees, are for the most part hiring people they know, whether they're relatives or friends or friends of relatives or whatever. They think they're safe because they know everybody." But such businesses are just as likely to have employees with abuse problems. After all, says King, 12% of the work force is affected by substance abuse, according to the National Retail Merchants Association. "It's unlikely that these people are only in larger companies," he says.

HOW BIG A PROBLEM IS SUBSTANCE ABUSE IN YOUR COMPANY?

Not at all	44%
Minor	45%
Significant	9%
Major	2%

Larger companies are more likely to test on a mandatory basis, whereas smaller companies are more likely to make it voluntary. Why do you test? To protect productivity: "Drugs affect job performance and the profitability of the company." And to ensure safety: for certain jobs "lives are at stake, so drug-related impairment is a vital issue." Also, there's the company's image to consider: "Since my workers' performance is a reflection on my reputation, I have the right to know about anything that could have an adverse effect." But not all who test feel comfortable with it: "Mandatory drug tests still give me a queasy feeling—but if random urine screens mean I have less to worry about, so be it."

DO YOU SCREEN YOUR EMPLOYEES FOR DRUG OR ALCOHOL USE?

No	63%
Yes, on a mandatory basis	31%
Yes, on a voluntary basis	6%

Most employees admit the necessity of testing, but a substantial minority have a problem with it. One major mitigating factor is the presence of a written policy. Companies that screen but don't have a written policy were more likely to report that their employees objected to testing (41%, versus 8% of those with a formal policy). Perhaps the existence of a policy lets the employees know where the company stands, so there's less resistance to testing. According to Richard Chanick, president of VSP International, a personnel consulting firm in Phoenix, "A written policy can prevent resentment. If you don't have a policy, and then some drunken forklift driver crashes, and then you start with the drug and alcohol testing, that's when you're going to face real resistance. It's better to be consistent over time."

IF YOU SCREEN, HOW DO YOU THINK YOUR EMPLOYEES FEEL ABOUT IT?

They comply willingly	53%
They resent it but understand that it's necessary	32%
They object to it	15%

WHICH OF THE FOLLOWING ADDITIONAL TESTS OR SCREENS DOES YOUR COMPANY USE?

Reference checks (from résumés)	84%
Experience/skills screens	46%
Background checks	38%
Criminal-history checks	28%
Psychological/personality tests	19%
Integrity/honesty screens	17%
IQ tests	9%
Driving-record checks	4%

Regarding what you feel you have a right to know, your primary concern seems to be protecting your business and your investment. "I am paying employees a lot of money. I should be able to know what I'm buying." "I have an absolute right to know what my employees are doing." Even when they aren't at work? "If their playtime affects the business in a detrimental way, I have an obligation to deal with it appropriately." Others disagreed: "As long as they do their jobs, it's none of my damn business what they do on their own time." But where do you draw the line? According to Anne W. Lin[illegible]y, a lawyer with Productive Solutions, in Cleveland, specializing in personnel practices, "If there are things that don't dire[illegible]late to the job, you're better off not knowing them." In general, "you have to have a specific reason for wanting to know about employees' personal lives. If you don't, don't bother trying to find out."

—Christopher Caggiano

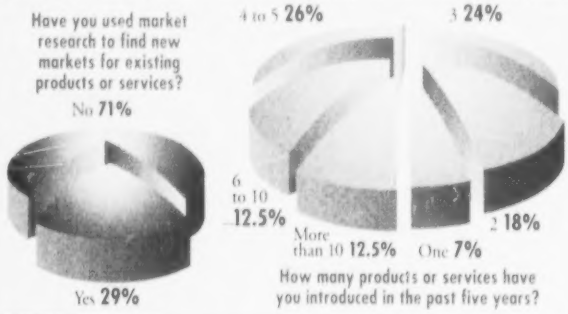
Note: Multiple responses account for total percentages above 100%.

THE INC. FAXPOLL™ IS SPONSORED BY XEROX

BENCHMARK

Are You Missing Out on New Markets?

Could market research turn up new niches for your products? The CEOs we surveyed indicated they are more likely to use market research to ***modify existing products and services*** *than to* ***find new markets*** *for their existing lines. Understandably, the CEOs also appeared to invest more time and money in their most recent products rather than in launching lots of new ones: 75% of the group said they'd introduced five or fewer products in the past five years.*


Have you used market research to find new markets for existing products or services?
No 71%
Yes 29%
How many products or services have you introduced in the past five years?
4 to 5 26%
3 24%
6 to 10 12.5%
More than 10 12.5%
2 18%
One 7%

Source: Survey of 173 CEOs, 57% with sales of $10 million or less, by *Inc.* and The Executive Committee, San Diego, 1992.

PROSPECTING

Getting Big Companies to Call

SMALL COMPANIES OFTEN complain that it's difficult to reach decision makers in large corporations. But Stuart Herskovitz, founder and CEO of $1-million Qosina Corp., in Farmingdale, N.Y., penetrated the world's biggest cosmetics manufacturers and cultivated a new market without the benefit of a sales force.

It started with a walk through Macy's. Herskovitz, who for 12 years has manufactured plastic parts such as clamps and connectors for the medical market, took a detour through Macy's cosmetics department. He was amazed to see women trying on the same tube of lipstick. The health-conscious Herskovitz scented a waiting market for disposable plastic items. That was in 1986.

He went back to the office, stuffed envelopes with his catalog, price list, and assorted samples, and mailed them off to the CEOs of the country's largest cosmetics companies. Within a few weeks Herskovitz got a call from a vice-president of one of those companies. Converting those first qualified leads into sales, though, took about two years of "solid correspondence," attests Herskovitz, who continued to send catalogs and more product samples to *everyone* on his prospect list, regardless of who responded to his initial mailing. To induce more cosmetics companies to give him a call, a year ago he began mailing his catalog to some 500 cosmetics-counter chain-store executives.

Today Qosina's "Qosmedix" line of sponges, cotton swabs, and throwaway plastic applicators accounts for one-third of total sales, which are expected to reach $3 million in 1992. —*S. G.*

SALES TRAINING

A 'Finishing School' for Sales Reps

THE FASTER SALES GROW, THE easier it is for salespeople to get sloppy with the finishing touches. Oversights such as forgetting to supply a new customer with the correct forms or making an error in pricing can hurt any company's profitability. Global Mail Ltd., a $13-million deliverer of international mail (#35 on this year's *Inc.* 500), figures each "little" slipup costs it hundreds to thousands of dollars to fix. The 45-employee company, based in Sterling, Va., handles 75 tons of mail a month for more than 900 clients.

So before new sales hires train in the field, they spend one to three days each with the customer-service, accounting, operations, and telesales staffs. The new reps process bills, sort mail, and field customer calls. And they see firsthand how salespeople's paper snafus affect every department: "The first place they find out about a mistake is at the loading dock," says Glenn Cafritz, partner in charge of sales training. "Here's where they discover the 10-pound shipments coming to the dock at 300 pounds and the packages missing shipping forms altogether."

The final resting place for salespeople's mistakes is credit and collection. "I know if a company makes a mistake with me, I put the bill on the bottom of the pile," says CEO Harry Geller, who spot-checks many of the invoices and, with Cafritz, tutors new hires on the inner workings of the company, such as how Global Mail's system differs from the competition's, how deals are struck with overseas postmasters, and the company's pricing matrix.

The payoff: The four salespeople (out of a force of 11) who've been through the cross-training are more cautious about quoting lower rates or making unrealistic promises to a prospective client, says Cafritz. They also submit fewer "problem invoices" than the veteran salespeople. —*S. G.*

RESOURCES

Paying Your Sales Force

CEOs tell us one of their biggest headaches is figuring out the right way to pay their salespeople. Should you offer straight commission (the traditional choice of cash-strapped companies) or some combination of salary and commission? And what about bonus plans? Two new books geared to small, growing companies shed light on the process. Both are loaded with company examples, sample forms, and work sheets.

James F. Carey's *Complete Guide to Sales Force Compensation* (Business One Irwin, Homewood, Ill., 1992, $65) lays out the many shades of compensation in simple terms. It's also a handy resource to use if you want to revamp your pay scheme—from, say, paying commission "from booking" to commission "on billing." Also clearly explained are incentive formulas, from the popular "flat rate" to the less common "step-up."

Managing Sales for Business Growth, by Robert J. Calvin (AMACOM, New York City, 1991, $27.95), also serves up lots of helpful information on compensation, backed up by the latest statistics from leading sales journals and research houses. —*S. G.*

CHART: ROSS CULBERT LAVERY & RUSSMAN INC., NEW YORK

LEGAL BRIEF

Insurance for Employee Lawsuits

HERE'S AN ALARMING SIGN OF the times: a handful of insurance companies have decided to offer companies coverage against employee claims. The way Christine Cahill, assistant vice-president at Chubb in Warren, N.J., sees it, an increasingly litigious society, combined with a rapidly expanding body of law affecting the relationship between employers and employees, has created an urgent need for protection.

Chubb's product covers costs arising from past, present, or prospective employees' charges of wrongful termination, breach of employment contract, and other illegal practices. Other forms of insurance (general liability, umbrella coverage, and directors' and officers' insurance) may or may not protect you in an employee lawsuit.

Cahill says that the premiums for employment-practices liability insurance would be comparable with a company's directors' and officers' insurance premiums. Nearly all the large companies that have looked into Chubb's new product have been quoted six-figure annual premiums for coverage of up to $10 million. That's too expensive for many small companies, but Chubb will consider extending coverage at more reasonable rates to small and midsize companies that show financial stability and have a professional, sophisticated human-resource policy in place.

Consider the introduction of this insurance product as a giant warning sign: get your human-resources habits in good order. Chubb will send you a free 50-page booklet telling you how: *Employment Practices Loss Prevention* (Executive Protection Dept., Chubb and Son, 15 Mountain View Rd., Warren, NJ 07059). —*E. E. S.*

PRODUCTIVITY

Modernizing the Suggestion Box

IDEAS FROM WORKERS AT PEAK ELECTRONICS, AN ELECTRONICS-fabricating company in Orange, Conn., run from the mundane to the sublime. E. J. Yancy, the company's president, credits such suggestions for some of the company's most significant cost-saving improvements. One idea allowed Peak to more than double its capacity to scrub circuit boards. Another provided a new way to code and track circuit boards long after they leave Peak's plant.

The climb out of the ivory tower and onto the factory floor can be slow. Steven Zaimes, head of manufacturing at Phoenix Controls, in Newton, Mass., had a grand plan for empowering his 30 employees. He holds "town meetings," forums to draw out workers' cost-cutting ideas. Halfway into the first two-hour meeting, a worker finally asked, "Why do we have to make a profit?"

What makes Yancy's idea-generating system so productive is that he doesn't think of it as a conventional suggestion box; he treats it as a complete program. "I wanted people throughout the company to have a voice and a way to have their voice heard," he explains. Here are the key components of Peak's program:

• **Goal**: Yancy wants each of his 125 employees to contribute one idea per month. To stimulate them, he asks them all—assembly and office workers alike—to think about how they could improve their jobs by changing something within two arms' lengths of their work spot. When you've exhausted those possibilities, he tells employees, enlarge the area under review to include everything you can see in your department. Finally, he counsels, think about what improvements could be made outside your own department.

• **Fast Response**: Employees hand their suggestions to their manager. Managers have the authority to approve the change on the spot or pass it on to the plant manager or Yancy. Yancy promises an answer within 24 hours about what action will be taken.

• **Reward**: Early on, Yancy decided not to elevate some ideas over others by tagging them with a cost-saving "value" and rewarding employees accordingly. That would stifle people with modest suggestions. He does, however, reward with recognition. Each month two workers are named Thinker of the Month and given the two most convenient parking spots in the lot.

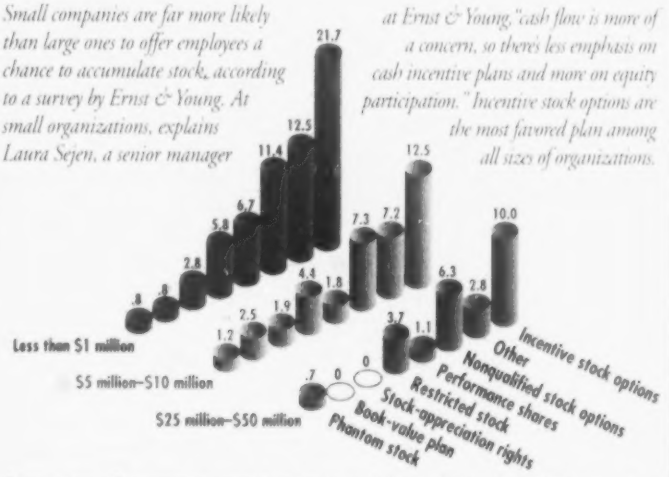
• **Reinforcement**: Yancy's desire to hear employees' voices is further emphasized by a 15-minute daily morning meeting. Both a manager and employees must be available to review the previous day's operations and prepare for the current day.

During the first year of Yancy's program, he learned some employees feared repercussions from their managers. They needed a way to communicate directly to Yancy. So he installed suggestion boxes in the most private place he could think of: the stalls in the rest rooms. What kind of anonymous suggestions come from those boxes? "Oh," says Yancy, "I get very rich stuff." —*E. E. S.*

BENCHMARK

Taking Stock of the Company

Small companies are far more likely than large ones to offer employees a chance to accumulate stock, according to a survey by Ernst & Young. At small organizations, explains Laura Sejen, a senior manager at Ernst & Young, "cash flow is more of a concern, so there's less emphasis on cash incentive plans and more on equity participation." Incentive stock options are the most favored plan among all sizes of organizations.



Percentage of companies participating in each kind of plan, by 1990 sales size

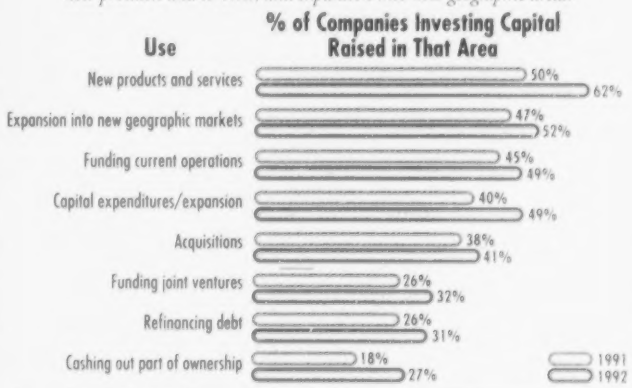
Source: Ernst & Young's 1992 Executive Compensation Middle Market Survey of companies with annual sales of less than $50 million. New York City.

CHART: ROSS GILBERT LAVERY & RUSSMAN INC. NEW YORK

BENCHMARK

Why Companies Raise Money

Some lucky companies can generate all the money they need internally. But most businesses end up turning to outside sources to meet their needs. Where are growing companies investing the capital they're raising this year? A survey of 259 businesses (half with revenues less than $20 million) done by Ernst & Young last spring showed that many more companies are raising money and many businesses are using the money for multiple purposes. The most common uses are for developing new products and services, and expansion into new geographic areas.



Source: The Ernst & Young Entrepreneurial Services Group's annual survey of members of the Institute of American Entrepreneurs, Dallas, 1992.

CREDIT

Secured Bank Cards

IF YOU'VE BEEN TURNED down for a conventional credit card, don't despair. More and more banks are offering *secured* credit cards to people who want to establish or *re*establish good credit. To obtain a secured card, you must open a savings account with the bank or purchase a certificate of deposit; your credit limit will reflect the amount you deposit. Then, as you perform within your limit, the bank will raise your credit ceiling and eventually give you an unsecured line.

In the past many issuers of secured credit cards charged exorbitant interest rates and fees. But as more and larger banks have entered the market, the costs have become more competitive. Still, Gail Liberman, editor of "Bank Rate Monitor," a newsletter published in North Palm Beach, Fla., advises caution in choosing a bank. Stay away from institutions that advertise information lines with 900 numbers, she says, and make sure banks pay interest on security deposits.

Whereas secured cards are typically offered to individuals, American Pacific Bank, in Portland, Oreg., has recently introduced a corporate card. Companies can obtain up to four cards on the same account. A corporate card, moreover, may assist you in establishing business credit as distinct from your own.

For a list of reputable banks offering secured credit cards, contact Bankcard Holders of America (703-481-1110), a consumer group based in Herndon, Va.

—Michael P. Cronin

BORROWING

Financing Purchase Orders

WHAT DO YOU DO IF YOU HAVE CUSTOMERS READY TO order merchandise but your bankers won't give you the loans you need to purchase the inventory? You've hit your credit limit, your banker says, and your balance sheet and collateral won't justify more.

Fortunately, as David Engel, CEO of Trendsellers Ltd., has learned, there are niche players who make businesses out of lending money against purchase orders. Engel, whose tote- and travel-bag import company has revenues of around $3 million and is located in Stamford, Conn., has been financing orders that way since he launched his company, three years ago.

Because of the level of trade expertise and administrative support needed to make the deals work, not many deal makers get involved in purchase-order transactions (sometimes called "pre-inventory" financing). Those who do usually have industry preferences. (See table.) The deal structures, however, are often similar.

A business with a source for shoes from the Far East, for instance, might get a $100,000 purchase order from a large retailer. With the help of a purchase-order specialist, a letter of credit would be issued to the foreign manufacturer. To limit its risk, the financial company (as opposed to the client) might become the importer of record, and the shoes might go directly to the retailer's warehouse. As for payment, the financial company might ask the retailer to pay it directly or to send the money to a post-office box; all the transaction-related fees (for the letter of credit, transportation, insurance, interest, and any commissions) would be deducted before the import business gets what's left.

In contrast to traditional bank deals, companies and banks handling purchase-order deals tend to look more to the credit of the client's *customer* (often a retailer) than to that of the client. And they'll want to assess the foreign supplier's performance record on quality and meeting deadlines before putting themselves at risk.

This type of loan is usually more expensive than bank financing, but, as Engel of Trendsellers says, he receives not only money but expertise. "We get a lot of back-office support, without which we'd need to hire more people." *—B. G. P.*

▼ ▼ ▼

SOURCE	TYPICAL CLIENT	MINIMUM TRANSACTION	TYPE OF GOODS	PRICING
Trading Alliance 212-953-0400	Merchant, wholesaler, importer, or exporter	$75,000	Manufactured goods, nonperishables	1%–2.5% of cost of goods/month
Bristol Trade Finance 214-528-2888	Wholesaler or distributor	$25,000	Consumer goods, industrial products	Flat 2%–7%
Imperial International 213-965-6200	Wholesaler or distributor	$500,000/year	Nonperishables	Flat 6%–13%

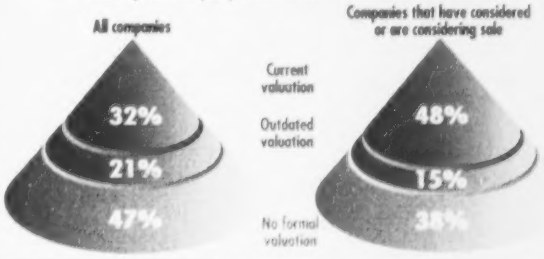
CHART: ROSS CULBERT LAVERY & RUSSMAN INC., NEW YORK

BENCHMARK

What's Your Business Worth?

According to a recent survey by Coopers & Lybrand, most fast-growing companies don't bother to get or maintain current valuations. That can be a costly mistake, since owners need to know exactly what their businesses are worth when they're considering selling out—or relying on insurance policies to protect themselves against future estate-tax liabilities.

Does your company have a formal, current valuation?



Source: Coopers & Lybrand's Trendsetter Barometer, a survey of more than 200 growing companies with average revenues of $6.4 million, 1992

ACQUISITIONS

How to Buy a Bankrupt Business

STEVE KATZ, CEO OF NATIONwide Cellular, a Valley Stream, N.Y., telecommunications company, has found an unusual—and low-cost—way to generate rapid growth: he buys bankrupt competitors. Consider Katz's most recently concluded deal, the acquisition of Cellcom, a bankrupt New Jersey–based company. Katz learned about the company through industry contacts—Cellcom's 53,000 cellular subscribers in the New York City and Los Angeles markets made it appealing—and approached its bankruptcy-court judge through a lawyer who specializes in Chapter 11 matters. "You'll never find a better deal than in bankruptcy court," Katz stresses, "because you've got the ultimate motivated seller." Here are some of his tips:

• **Hire a bankruptcy lawyer.** During the Cellcom negotiations, says Katz, he "had thousands of creditors and other interested parties to deal with." The negotiations with all those creditors required a specialist's legal finesse. Ultimately, some creditors agreed to large discounts in return for immediate payments, while others agreed to longer payment schedules in return for larger payments.

• **Move quickly.** The worst thing that can happen, Katz warns, is that you'll authorize your lawyer to submit a written bid to the court, pay a 5% or so deposit, and then sit and wait. Since all the creditor groups will have to approve the final settlement, Katz says, "you and your lawyer need to meet them quickly to size up their needs and financial flexibility. Then you'll have to convince the judge that your offer is a fair distribution if you want to close a deal quickly."

Katz should know. Nationwide Cellular made its bid for Cellcom on April 15, 1992; by May 23 the judge had proclaimed it a done deal. —*J. A. F.*

INSURANCE

Cost-managing Preexisting Medical Conditions

JEFF KINNI, CHAIRMAN OF PREFERRED MARKETING AGENTS, A Pompano Beach, Fla., manufacturers' representative serving the restaurant industry, has been losing sleep over an insurance nightmare. Comprising only five employees, Kinni's work force is not big enough to spread the cost risks that insurance companies calculate for a preexisting cancer case. "Our rates were rising by unbelievable amounts every six months," he complains, "30%, 60%, no end was in sight."

Under normal circumstances, Kinni's insurance broker might have solicited competitive bids from other carriers. But, says Kinni, "we had to stay with our carrier, because any new insurer would force us to accept a rider that would disallow all costs relating to preexisting conditions. So the person with cancer would suddenly wind up without protection."

Like the heads of other companies in this bind, Kinni was forced to respond first, by looking for every possible way to put a lid on current cost hikes. "We raised our deductible from $250 to $1,000 and cut back on maternity benefits," he says, "which kept our most recent increase down to 20%." Those changes weren't appealing, but Kinni viewed them as essential to keeping the company's health-insurance bill from driving him out of business.

His second strategy focused on a longer-term solution that in the future might allow the company to broaden its scope of health benefits. "We'll demonstrate to insurers that it won't be excessively expensive for them to cover our company. When we've built up a good claims-loss record, we'll try to switch"—that is, just so long as Kinni can persuade an insurer to agree to a temporary, rather than permanent, moratorium on payments for preexisting conditions. "But once we demonstrate a pattern of controlled costs," he says, "that will be an option for us." —*J. A. F.*

Driving Down Health Care Costs (Panel Publishers, New York City, 1991, $89), a collection of 44 articles, is a simple way to tap into savvy strategies currently recommended by insurance and benefits practitioners to reduce insurance fraud, audit for cost savings, redesign retiree benefits, and more.

RESOURCE

Retirement Calculator

Whether you're a business owner or an employee, the best way to figure out the importance of saving toward retirement is to calculate how much you'll need to stash away to retire in style. But don't get bogged down with your pocket calculator. Instead, order a retirement-savings calculator from T. Rowe Price (800-638-5660). This nifty cardboard gadget instantly answers such questions as "If I invest $100 a month in my 401(k) plan for 20 years, how much will I accumulate?" (Answer: $76,570 if your company's plan earns 10% interest.) It's free, it's fun, and it may even persuade you to bite the bullet and increase your retirement savings. —*J. A. F.*

CHART: ROSS CULBERT LAVERY & RUSSMAN INC., NEW YORK

THE 1992 INC.

500

Announcing *Inc.* magazine's 11th annual listing of the 500 fastest-growing private companies in America. Meet the companies that have been creating—not cutting—jobs over the past five years, the companies whose *minimum* growth rate has topped 600% during that time period. These are the exceptional companies, the growth leaders in an otherwise sluggish national economy.

BEHIND THE SCENES

An inside look at the companies creating jobs and wealth in a recessionary economy. Where did the founders get their seed capital? Who are their heroes? Which are the hot industries? And more

BY MARTHA E. MANGELSDORF

INC. 500

Partners in growth: Max Fuller (left) and Patrick Quinn

When it comes to entrepreneurial drive, Max Fuller sure doesn't have it. He never had any great desire to start a company—or even to buy one, for that matter. It was only outside circumstances that pushed him into starting his *Inc.* 500 company, U.S. Xpress (#445), located in Tunnel Hill, Ga. What Fuller thinks accounts most for his company's growth is not his niche, strategy, or hell-bent desire to succeed, but his talented managers and strong profit-sharing program. What's more, Fuller's partner and cofounder, Patrick Quinn, agrees entirely.

What's going on here? Profit sharing? Partnerships? A full-fledged management team? Is that any way to start a fast-growing company? What ever happened to the entrepreneur as Lone Ranger, the guy (and it almost always was a guy) who made things happen in his garage, thanks to an unshakable belief in a big-picture plan no critic in the world could touch?

We're not sure, but he seems to be a dying breed. In our survey of the 1992 *Inc.* 500, our annual list of the fastest-growing privately held companies in America, the theme can be summed up in one word: teamwork. The form of the team varies, but contrary to all the myths about going it alone, building a fast-growing company in the 1990s is clearly a group effort. Fifty-eight percent of 1992 *Inc.* 500 chief executives began with at least one partner. Three out of 10 work with a spouse. Thirty-five percent have an informal advisory board, and 53% have a formal board of directors. Less than a third of the CEOs still own all the stock in their companies, and 46% don't even have majority control. And, yes, almost half share profits and financial information (49% and 41%, respectively) with their employees.

Welcome to the 1992 *Inc.* 500. This is our 11th year of compiling the 500, and the qualification standards are daunting: the slowest-growing company on this year's list saw sales increase 606% over the past five years. Together the 500 accounted for $8.4 billion in revenues and 72,308 jobs in 1991—up from $530 million in sales and 8,221 in employees in 1987.

In effect, the *Inc.* 500 screens the nation's newest batch of growth companies—and highlights the ones off to the best start. Experience suggests that some of each year's crop will go on to build national reputations, while some will stagnate or die. Most, however, will grow into the successful private companies that are a mainstay of our economy.

In the following pages you'll find the shape of things to come. What industries are growing explosively? What management styles are producing dramatic results? What strategies? If you want to know what the company of the '90s and the early 21st century will look like, take a look at the 500.

Our survey results emphasize again and again that these are not traditional small businesses. Just ask Quinn and Fuller. They got their start working to-

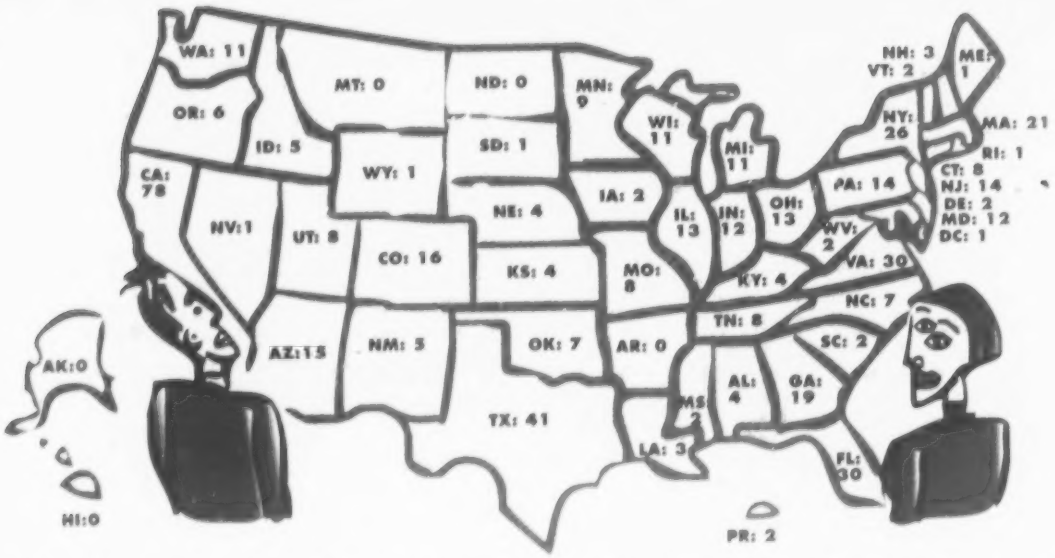
1992 INC. 500 COMPANIES STARTED WITH

$1,000 or less	13.0%
$1,001–$5,000	12.6%
$5,001–$10,000	8.3%
$10,001–$25,000	13.3%
$25,001–$50,000	12.0%
$50,001–$100,000	15.6%
$100,001–$500,000	17.8%
$500,001–$1 million	2.8%
$1,000,001–$2 million	2.2%
$2,000,001–$5 million	1.3%
More than $5 million	1.1%

Number of respondents: 460

PHOTOGRAPH LYNNE SILER

THE INC. 500 BY STATE



Very few long-term trends can be seen by comparing this year's map with those of previous years. About the most notable change is that a particular state or region will be depressed for a few years and then bounce back to normal. One example: In 1982 Texas and Oklahoma had 39 and 7 companies on the list, respectively. During the mid-1980s, when things got truly bad in both states, their 1987 totals dropped to a low of just 27 companies in Texas and one in Oklahoma. But by now things appear to be back to normal; the 1992 list has 41 Texas businesses and 7 Oklahoma companies. That should be encouraging to several New England and Rustbelt states (Massachusetts, New Hampshire, Rhode Island, Michigan, Illinois, Ohio, and Pennsylvania) that are currently at low points.

gether in an old-fashioned entrepreneurial business—one run by Fuller's father. What did they learn there? That—despite their great respect for the senior Fuller's accomplishments—they wanted to do things differently. "When I worked for my dad, he was the dictator," Fuller says. In contrast, Quinn and Fuller divide the company's management areas between them and rely heavily on their management team, which approves all major policy changes. The two founders see their management style and profit sharing as crucial in a world that has grown far too complicated for one businessperson alone to master. "I don't know how one person can remotely begin to be an expert in every business area," Quinn says.

Instead, by harnessing the power of its people, U.S. Xpress has grown to a profitable $142 million in sales in just seven years, and the company, which does long-haul trucking, is one of the top job generators on the *Inc.* 500. And in a fitting sign of the times, Fuller and Quinn have acquired Fuller's father's company. You could call it an entrepreneurial changing of the guard.

THE START-UP MACHINE

Some people like to grow businesses. Then there are people like Gregory Squillante—who'd much rather just start them. Last time they counted, Squillante and his wife, Jo Ann, reported starting 16 businesses in southeastern Massachusetts and Rhode Island, of which he says 13 are still in business. The two big casualties—a computer demographics company and a fast-food restaurant—were both companies in which Squillante had invested a lot of money and high hopes. "I am very good at running small businesses. I am not very good at running big businesses," he admits.

Many small-business people would probably say the same, but what do you do if a business grows of its own accord? That's easy, according to Squillante: when a company reaches about 50 employees, he begins to look for a way to spin off some part of it and create a new company. All told, he estimates his 13 companies have about $10 million in revenues. In the process, Squillante has made the *Inc.* 500 not once but twice, with Diagnostic Testing, a medical laboratory, in 1987, and this year with S&S Management & Consulting (#372), based in Somerset, Mass. What is S&S's line of work? It provides management-consulting services to small-business owners. Somehow we're not surprised.

THE OLDEST COMPANY

Like many fledgling entrepreneurs, Mary-Clare and Michael Molony were sure they had a great new concept to bring to their market. Then, while

INC. 500 BY SIZE

Median number of employees	47.5
Average number of employees	144.6
Median 1991 sales	$6.7 million
Average 1991 sales	$16.8 million

1991 SALES

	% of companies
Less than $2 million	10.4%
$2 million–$2.9 million	14.8%
$3 million–$4.9 million	14.8%
$5 million–$9.9 million	23.6%
$10 million–$19.9 million	19.2%
$20 million–$29.9 million	6.4%
$30 million–$49.9 million	4.4%
$50 million–$74.9 million	2.2%
$75 million–$99.9 million	1.2%
$100 million–$149.9 million	1.6%
$150 million–$199.9 million	0.8%
$200 million or more	0.6%

CHART J. SCOTT CAMPBELL

shopping for a location in 1985, they came across a local business already using their hot idea. Worse yet, the business was 99 years old. Still worse, it was going out of business.

Michael Molony readily admits the whole thing made him just a little nervous: if the Molonys' idea—stores that sell nothing but pet foods and supplies—was so great, why was this other company, P. T. Moran Co., closing? On closer examination the couple learned the owners actually had devoted most of their space to garden supplies and wanted to get out for personal reasons. So instead of starting from scratch, the Molonys bought the P. T. Moran name along with some of its assets in 1986. With six stores operating under the P. T. Moran name, Pet Ventures (#220), based in Arlington, Va., sold $5.8 million in pet food and supplies in 1991 and is the oldest company on this year's *Inc.* 500. Says Michael Molony, "An old company that has a person's name on it tends to give people a warm, fuzzy feeling."

INC. 500 BY SECTOR

Service	55.0%
Manufacturing	29.2%
Distribution	8.2%
Retail	7.6%

INC. 500 BY INDUSTRY

Computers	23.0%
Consumer goods and services	14.4%
Business products and services	12.4%
Health care	8.6%
Real estate and construction	6.4%
Environmental products and services	6.4%
Industrial equipment	4.4%
Telecommunications	2.8%
Media	1.8%
Transportation	1.8%
Other	18.0%

THE LONGEST-RUNNING HIT

Back in 1988 many of this year's *Inc.* 500 CEOs were still getting started, building up those first big sales and hiring key staff. Not Gary Gale. His company—then known as Weathashade, now known as the Gale Group—was already #408 on the *Inc.* 500, with a five-year sales growth of 773%.

1991 PROFITABILITY

Profit margin*	% of companies
16% or more	13.0%
11%–15%	12.2%
6%–10%	19.8%
1%–5%	44.0%
Break-even	2.8%
Loss	8.2%

**Net income as a percentage of sales; S corporations use pretax figures.*

We admit we're baffled. The economy was in a shambles last year, but never before have so many *Inc.* 500 companies been so profitable. Fully 25.2% report 1991 profit margins of 11% or more—the decade's average is 18.2%.

We really don't have a solid explanation for this, but here's a theory. The only time we came close to seeing this kind of profitability was on the 1983 list, when we reported on profitability for 1982, also a difficult recession year. That suggests recessions somehow pay off for well-managed companies. Perhaps only the highly profitable can afford to grow in times when outside financing dries up; they may benefit even more when competitors with shakier finances can't effectively seize opportunities.

This year one-third of the companies made last year's list as well, but the $58.1-million Gale Group (#427), based in Winter Park, Fla., is the only one to make it for the fifth year in a row. After all, it's not easy to keep maintaining a five-year growth rate of more than 600%.

So how did Gale do it? No doubt by entering one of those exploding markets, like computer networking or environmental cleanup, right? Wrong. His company designs and makes gardening products such as garden covers and flowerpots—even Gale admits it's a "pretty sleepy industry." His approach: intense in-store merchandising and a commitment to new products. He says most of the company's new products were created abroad by someone else who needed help entering the U.S. market. That's an area in which Gale is a natural: he's a transplanted Australian who started his company as a way of bringing his family's business to the United States.

THE WORLD IS THEIR MARKET

At first glance, Russ Teubner may not seem typical of much of anything. After all, his *Inc.* 500 company, Teubner & Associates (#364), is a fast-growing high-tech business based in Stillwater, Okla. "A lot of the technology companies cluster in certain areas," Teubner admits gamely. "One of them is *not* Stillwater."

Nevertheless, Teubner & Associates exemplifies an interesting trend in this year's list. Like 51% of the companies on the list, Teubner & Associates makes more than half of its sales in a national and international marketplace. In that respect, these growth companies are dramatically different from ordinary small businesses. In general, when it comes to small businesses, "the vast majority are predominantly local," says Bruce Phillips, who directs the U.S. Small Business Administration's database on small companies. Growth companies apparently sense early on that the world is their marketplace: 74% of this year's *Inc.* 500 have some national sales, and 45% sell internationally. What's more, they are not just occasional exporters: half of the companies that report international sales say those sales account for at least 10% of their revenues.

Russ Teubner's global reach typifies the Inc. *500 company.*

How does a company with no track record gain the trust of national and international customers? Many CEOs rely on their contacts from previous jobs, but Teubner's only previous employer was Oklahoma State University. And in

PHOTOGRAPH ROBERT MERCER ILLUSTRATIONS J. SCOTT CAMPBELL

THEIR TOP 10 HEREOS

Either these are not heroic times, or the *Inc.* 500 are just not a group inclined to look to others for inspiration—120 are heroless. We did feel a little sad when one CEO told us he had "none left." When the CEOs did choose heroes outside their immediate families, they tended to look to successful entrepreneurs, people who could be role models for their business lives.

My father	13.8%
H. Ross Perot	5.7%
Sam Walton	3.9%
Lee Iacocca	3.4%
Bill Gates	3.0%
Winston Churchill	2.8%
Abraham Lincoln	2.3%
Jesus	2.1%
My grandfather	1.6%
John Wayne	1.4%

Number of respondents: 435

his case, the problem was exacerbated by his location and his potential marketplace—only very large organizations have the type of mainframes that can use Teubner's flagship software product.

So Teubner initially concentrated on what he calls "the desperate few"—those companies that would have such a strong need for his product that they would be willing to risk doing business with him. As quickly as he could, however, Teubner got distributors to sell his product across the country; today 83% of the company's sales are national and the rest are international. "It's rather foolish to think you re going to take the *Fortune* 1,000 by storm from Stillwater," he says. The company's entry into the global marketplace was uneventful, according to Teubner. "Someone called up from Switzerland and said, 'Will you sell us your product?' "

Now that Datastorm is a $17-million company, former musicians (from top) Tom Smith, Stephen Monaco, and Bruce Barkelew have quit their night job.

WHO NEEDS SEED CAPITAL?

It sounds like the title of a sleazy get-rich quick book: *How to Start a Growth Company with No Money Down.* But that's exactly what Bruce Barkelew and Thomas Smith did. They started Datastorm Technologies (#376), in Columbia, Mo., with, they say, absolutely no seed capital.

Unfortunately, what Smith and Barkelew did can't be replicated in most industries. The two, computer-science graduates who'd designed a software product in their spare time, decided to distribute their product through "shareware." That means they placed their software on a number of electronic bulletin boards and encouraged users to try it

DID YOU KNOW THAT . . .

• Women may be starting more businesses than ever, but by and large, they are not starting the high-growth companies that make the *Inc.* 500. The number of *Inc.* 500 companies with women as CEOs has been increasing gradually, but even so, only 8% of the companies on the list have female chief executives. Almost one-third of the companies, however, involve husband-and-wife teams.

• Only 14.6% of the *Inc.* 500 report any acquisitions; the rest have generated all their growth internally.

• Forty-five percent of the *Inc.* 500 CEOs describe their companies as high-tech businesses, and 58.6% say their use of technology gives them a competitive advantage.

• One out of every five *Inc.* 500 companies has at least one employee who works primarily at home, using the computer and the telephone to stay in touch.

• Public accounting firms aren't just for public companies anymore. While most *Inc.* 500 companies use small, local accounting firms, about one-fourth use one of the Big Six.

• *Inc.* 500 companies are almost twice as likely to have employee stock ownership plans as to have unions (6.5% have ESOPs, while only 3.8% have unions).

• Half of the list's CEOs had started at least one other business before founding their *Inc.* 500 company.

• The majority of *Inc.* 500 companies still choose the traditional C-corporation status, but a large minority (43.8%) prefer the tax advantages of S corporations.

• The average *Inc.* 500 CEO is 50 years old and works 63 hours a week. Seventy percent have worked for large companies, and 60% for other small companies.

• Although the *Inc.* 500 companies are on average only 8 years old, 22% of the CEOs say they run family businesses.

• One out of three *Inc.* 500 companies has a strategic alliance with a large company. High-tech companies are more likely than others to have partners, and the three most common partners were, in order, IBM, Apple, and Digital.

• Despite the growth of their companies, many *Inc.* 500 CEOs are still enmeshed in their original role as chief salesperson. When asked to describe a typical workweek, the average *Inc.* 500 CEO reported spending 27% of the week on sales and marketing—far more than on any other management area. Tracking the competition, for example, gets only 5% of the average *Inc.* 500 CEO's time.

PHOTOGRAPH: ROBERT MERCER

out. Each time people used the product, a note would flash on their screens, reminding them to send a check to Datastorm.

That's not exactly a strong-arm collection technique—Smith guesses that somewhere from 3% to 8% of regular users eventually bought the software. Still, shareware has enabled Smith and Barkelew (who were later joined by Stephen Monaco) to build a $17.8-million company, which now has retail distribution as well.

The duo are not alone. Seed-capital requirements for the *Inc.* 500 vary widely, but an astonishing 26% of this year's companies were started with $5,000 or less. And they represent a wide range of industries—from mail-order catalogs to computer-peripherals manufacturing to sandal making to pizza. While some companies did require much, much more—the highest initial capital reported was $31 million—the median *Inc.* 500 company raised $30,000.

That suggests starting a growth company is not financially beyond the means of most people. U.S. government data bear that out; according to the Census Bureau's 1987 survey of business owners, more than half of all small businesses are started with less than $5,000; however, many of those remain one-person operations. It's far more surprising that so many companies grow so rapidly from such humble beginnings. There's no better example than Jim Allsup, sole owner of Allsup Inc. (#363), a $6-million company in Belleville, Ill., that provides health-care-claims services. Allsup started his company in 1984 with a few hundred dollars—from his unemployment checks.

SIGN OF THE TIMES

The last five years haven't been the best of times for the banking industry—or most financial services. But don't tell that to Ric Tomlinson. From 1987 to 1991, his company, Univest Financial Group (#450), grew from $2.1 million to $16.5 million in sales, even though the Marietta, Ga., company's business is analyzing mortgages—both residential and commercial. What's the secret?

Timing. Ric Tomlinson and his partners developed a sophisticated database designed to value loans in the portfolios of savings-and-loan institutions. What he didn't count on was the S&L crisis, which suddenly gave the federal government a great need to value huge numbers of loans from failed institutions. "We created a product prior to one of the greatest financial crises in the history of our country," he says. "A lot of this has to do with timing and luck."

Just for the record: Tomlinson didn't always think his timing and luck were so good. Early on, Univest took on some work valuing loans for an S&L that was, well, a little iffy. When Univest was almost finished with the project, the federal regulators seized the S&L, leaving Tomlinson with a sunken investment, no prepayment, and no customer. But because Univest had already valued most of the portfolio, Tomlinson had the evidence and motivation to convince the regulator that Univest could sell the portfolio for more than the government thought it was worth. From that starting point, Tomlinson reports, today 65% of Univest's sales are to the federal government. That's a pretty good return on a bad debt! ❑

SOURCES OF SEED CAPITAL

Personal savings	78.5%
Bank loans	14.3%
Family members	12.9%
Employees/partners	12.4%
Friends	9.0%
Venture capital	6.3%
Mortgaged property	4.0%
Government-guaranteed loans	1.1%
Other	3.4%

EVEN THEY EAT HUMBLE PIE

For all the praise we shower on the *Inc.* 500, these folks are just as fallible as the rest of us. So this year we made a point of asking about their worst or most humbling business experience. Many were what you'd expect: the wrong partner, the wrong hire, the failed product, the bad bank, and the nonpaying customer. But here are a few of the more candid and unusual admissions, with the names omitted to protect the innocent. Or the guilty, depending on how you look at it.

- I was in a briefing at the Pentagon—a very formal environment. When I got through with the briefing, one of the military people came up and told me to zip my fly up.
- I hired my ex-husband.
- When I started, I had a business plan that was meaningless eyewash. We floundered for five years before starting all over.
- We thought we were recession-proof.
- We faxed information about a business deal to the wrong potential partner in Italy.
- Twenty percent of our customers went bankrupt last year.

- On my first big sale, I lost the check—for $100,000. I was embarrassed to go back to the customer. I finally found it a week later in a book that I was reading.
- The CEO we're most worried about? The one who said his worst mistake was "getting into business." And the prize for the most honesty has to go to the entrepreneur who replied simply, "We make mistakes on an hourly basis."

BUILT ON SPEED

Kingston Technology shot up to $230 million in sales and the top spot on the 500 with no debt and no outside equity. How? By getting ideas into production and getting product out the door faster than anyone else

BY EDWARD O. WELLES

INC. 500

DAVID SUN IS A HARD MAN TO TRACK DOWN. One moment he is at his desk in the midst of a room of salespeople. The next he is striding through the shipping department, before heading upstairs for a brief but intent conversation with an engineer. The best place to stake him out is in the cafeteria, where sooner or later he is sure to show up for a smoke and some banter with whoever happens to be around. Equal parts ebullience and energy, Sun creates the impression of speed in his daily hands-on whirl around Kingston Technology Corp., located in Fountain Valley, Calif.

That is apt. Kingston is built on speed, and it is that characteristic that has helped the company break well out of the pack and taken it to the top of this year's *Inc.* 500. Kingston designs and manufactures memory, processor, and storage upgrades for personal computers, laptops, laser printers, and workstations. In that cutthroat world, manufacturers crank out stripped-down, underpowered, low-cost machines that produce profits as marginal as the machines' performance. The real money is made on product upgrades, much the way car manufacturers cash in on the plethora of options that inevitably add the shock to the sticker price.

Enter Kingston. As brand-name machines roll out the door at the likes of IBM, Compaq, and AST, little-known Kingston sprints to design the upgrades that will turbocharge those stock machines with added memory and processing power so they can handle the latest hot and powerful piece of software hitting the market. Kingston moves with such speed that it can often design and produce the upgrade for a product before that product is even in the hands of the end-user. (Kingston's customers are distributors and resellers of computer equipment. For the most part, it does not sell direct to end-users.)

Kingston was founded in 1987, the result of creative engineering's meeting the fast-changing needs of an explosive market. That year there occurred a shortage of a certain type of chip used in memory-upgrade modules. Sun and his cofounder, John Tu, realized they could alter another chip in ample supply to produce a similar product. Suddenly, memory-starved distributors were beating a path to Kingston's door. "This was like gold at the time," recalls Tu. "People were offering to pay us in cash." But Tu figured it wouldn't be long before competitors caught on to what he and Sun had done and simply copied their feat. He bet Sun a Jaguar that Kingston would be out of business within the year.

Sun won a new set of wheels, and in 1988 Kingston's sales leapt to more than $12 million. By then the PC market was bursting with manufacturers starting to produce computers that ran on their own proprietary systems. Thus, each required its own unique memory upgrade, and Kingston's market expanded exponentially. Then in 1990 Microsoft introduced its wildly popular Windows 3.0, a program requiring more memory than was then available with off-the-shelf PCs. Kingston stepped in to provide the necessary additional memory. In recent years the same thing has happened in the memory-intensive workstation market. A year ago the company created a division to address that market. It already accounts for 10% of sales.

Last year sales rocketed to $141 million, and this year Kingston, with just 130 employees, is on track to reach $230 million in revenues. That works out to almost $1.8 million per employee. The company has no debt, no venture capital, and no plans to go public. And still it keeps piling up cash in quantities that verge on the embarrassing. It distributes 5% of pretax profits quarterly as a bonus to full-time employees, which came to $400,000 in the latest quarter. It also matches employee contributions to the 401(k) plan dollar for dollar up to a combined total of $6,000 a year. Today Kingston, which competes with about

PHOTOGRAPHS BOB HOLMGREN

15 other companies, commands a 45% share of the memory-upgrade market, and it shows no signs of slowing down.

So how exactly does Kingston do it?

KINGSTON HAS INSTITUTIONALized speed at every level. David Sun, 41, and John Tu, 51, are quick, intuitive thinkers who've been known to decide to build a product on the 30-second walk between the parking lot and Kingston's front door. Their hit rate—the ratio of successful products to product introductions—is 90%, a phenomenally high number given the fast-changing world of personal computing.

Sun, a 10-year veteran of the PC industry, thrives on vibes. His desk sits out in a bull pen in the center of the sales department. Kingston's distributors call in daily from all over the world, placing orders, asking when the latest product will be out. (International sales account for 39% of revenues.) When the salespeople start hearing often enough that distributors are looking for a certain upgrade on a certain machine, and Kingston doesn't have it, that is often signal enough for Sun to decide to build that product. From there, it can take as little as *one week* before the product is ready to ship.

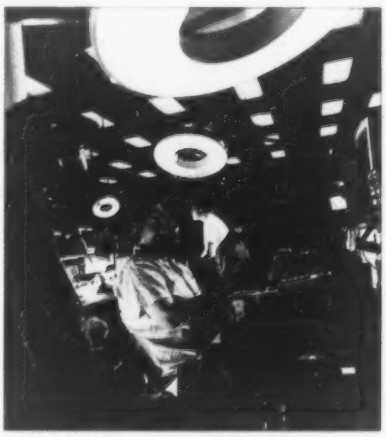
Kingston fills all purchase orders the day it receives them. That is unheard of in the high-volume, thin-margin, commodity-oriented world of PC manufacturing, where typically PC producers stockpile orders, shop around for dirt-cheap inventory, and then ship a ton of products every four to six weeks.

That kind of pace conflicts with the needs of end-users, who always want their upgrades yesterday. As a result, many original equipment manufacturers, unable to meet the needs of their customers in a timely way, simply refer people to Kingston, which can.

ALTHOUGH SPEED IS A STRONG, definable attribute at Kingston, it is not to be confused with the company's core values. A suggestion of those can be found on a small plaque inside the front door in the lobby, which reads, "Courtesy . . . Compassion . . . Modesty . . . Honesty."

The embodiment of those values is John Tu, Sun's partner. The two have worked together since 1983, when they started a company, later sold to AST, to provide memory upgrades for Digital products. Tu, amiable and soft-spoken, focuses on sales and marketing, while Sun worries about engineering. But ask Tu what preys on his mind most, and he'll tell you it's a sense of obligation to his employees. "Suppose the company stops growing tomorrow," he muses. "We want to make sure our employees will not be hurt." Sun adds that Kingston is managed so conservatively that should it go out of business tomorrow, it wants to have enough money to distribute a year's salary to every employee to give each time to find another job.

The atmosphere at Kingston implies *fluidity*. No doors, no ties, no titles, no secretaries. No memos, no supervisors. No quality standards, points out David Sun, because quality comes built in. The company tests 100% of its parts before they ship, whereas the industry standard is 5%. "There are times when I've been over there, and I've seen David sweeping the floor," notes Al Soni, who represents Samsung, a major Kingston vendor. "He relates to his employees at their level—always."



Technicians test 100% of Kingston's parts before shipping, compared with an industry standard of 5%.

Janet Ruprecht, who works in marketing, describes Kingston employees as "people you would not expect taking responsibility for things you'd think they wouldn't notice." They range from engineers breaking from their mind work and wandering down to shipping to pack boxes for a while to shippers walking into the sales department, after talking to people in accounting, to report that certain distributors have fallen behind in their payments.

Ruprecht's sister Carol, who works in sales, recently got a call from a customer in Belgium who wanted to know if Kingston could produce a special modification of one of its products. Ruprecht hung up and called engineering. Engineering said OK, provided production could handle the alteration. Production assented, and 10 minutes later Ruprecht called back the customer to say Kingston could produce the part. She also recalls a rare slow day when production employees with nothing better to do decided to dismantle one of Kingston's fax machines to see if maybe they should be thinking about building add-on memory for *it*.

Kingston pays its employees salaries that are 20% to 30% above industry norms. It pays no commissions to its salespeople, believing that their success would not be possible without the group's efforts. Its bonuses are paid out in equal shares, not pegged to salary level, because Sun reasons that the bonus is a reflection of "how the company is doing," whereas salary "is what you know."

Kingston invests in engineering talent. Orange County brims with a surplus of free-lance engineers, yet the company assiduously has built an engineering staff, largely through Sun's and Tu's contacts in the industry. Both have a decided bias against credentials, and as a result, Kingston's two best "engineers" lack degrees but have a wealth of experience as technicians.

Paul Popadak is one of them. Recently, he spent six months designing a complex upgrade that allowed Kingston to become the only aftermarket company to reverse-engineer a board with an application-specific integrated circuit (an ASIC is a custom chip designed to take the place of many smaller and less complex chips).

KINGSTON'S INVENTORY TAKES UP four rows of shelves, each running about 20 feet deep, creating the impression that David Sun and John Tu run a midsize auto-parts store, not a $141-million company that ships computer add-on components around the world. That inventory amounts to four days' worth of parts.

Such a lean inventory in the volatile computer aftermarket leaves little room for error. Memory chips, the heart and soul of Kingston products, are notoriously commodity-like in nature. Prices soar and collapse with little notice. If there is a hallmark to the industry, it is that the prime loyalty is to price and

today's deal. Manufacturers persistently shop around among vendors. They cancel purchase orders when the market suddenly shifts. They drag their heels on paying bills.

Kingston's lean inventory thus appears against the backdrop of a chaotic market as a high-tech, high-wire act. But Sun and Tu have a safety net beneath them, woven taut and true by their vendors. In their hierarchy of important people, Sun and Tu place employees first, followed closely by vendors. They believe that if you treat those two groups well, then they in turn will see to the care and feeding of the third vital group—customers.

"Integrity. That's how I'd sum up Kingston in a word," says Ken Hurley of Hitachi America, one of Kingston's key vendors. "We have a strong partnership with Kingston. We don't share that with a lot of its competitors."

"If David gives me his word, I can take it to the bank," echoes Mike Burns at Motorola, who labels Kingston "my top account"—in terms not only of volume but also of psychic ease. Burns makes no commission on the commodity chips he sells to Kingston but says, "I spend 40% of my time supporting this account, because it's so pleasurable to do business with them. I've been doing this for 15 years, and I have yet to meet a company that's more fun to work with."

From the start, Sun and Tu set out to establish long-term relationships with vendors, believing that is the best way to impart ballast to a business in a tempestuous industry. "We will deal with a vendor only as a long-term partner," says Sun. Kingston has never canceled a purchase order. It always works with vendors to schedule the manufacture and delivery of chips and has never backed off that schedule. It does not grind suppliers down on price, preferring to get a consistent supply and quality. In the case of smaller, undercapitalized suppliers, Kingston often prepays.

Sun says, "People in this industry tend to be greedy because the money turns so fast." He adds that not paying bills on time in order to earn a little extra interest at the expense of a creditor makes no sense whatsoever. "For a fraction of a percent you suddenly become an unethical person."

"Other customers play games and delay payments," says Al Soni of Samsung. "Because of Kingston's relationships, it's able to get hard-to-get parts before everyone else does." In turn, strong relationships with vendors allow Kingston to focus on things that really matter. "A lot of their competitors shop around all over the world. They spend all their energy on price," continues Soni. "Sun and Tu get a good price from us, good support, and consistent supply. As a result, they're able to spend more time on things that make a difference, like developing their sales and marketing channels."

Soni says Kingston has "established a new trend" for its industry by booking an order, building the product, and shipping it the same day. It is a process competitors will be forced to follow, and it is one that pays customers a considerable dividend: they don't have to carry any inventory.

One Kingston customer, Ingram Micro, based in nearby Santa Ana, sells more than $1.5 billion worth of computer equipment annually. It receives *two shipments a day* from Kingston. Another customer, Gates F/A, based in Greenville, S.C., places orders with Kingston nightly—and has the product in its Ohio warehouse the next day. Jerry Lumpkin at Gates F/A says Kingston's name is synonymous with both product quality and being first to market. If Kingston can't produce it, then likely no one else can. "Sometimes we hear from other vendors, 'Even Kingston doesn't have it.' Kingston provides a benchmark for other companies to measure themselves against."

Kingston supports its distributors by drop-shipping direct to end-users when necessary. It immediately replaces defective products, no questions asked, without waiting for returns. Similarly, Kingston pours a lot of resources into technical support, knowing it will be called on to answer questions about other manufacturers' equipment that has been integrated with its own.

John Tu sums up Kingston's strategy simply: "We want to make it so the customer can't afford *not* to do business with us." David Sun echoes the sentiment, arguing that Kingston's just-in-time bend-over-backwards way of doing business does more than create goodwill. It makes good sense. "If we ship the same day, then there are no back orders. They create extra work. We say instead, 'We'll support you. We'll ship to you every day.' The distributor is not forced to take a lot of product all at one time." As a result, Sun emphasizes, should the market suddenly fall apart, the distributor is not put in the position of having to take delivery on thousands of units previously committed to and no longer wanted. That reduces the risk of weakening the relationship between Kingston and its customers.

Kingston and its vendors in effect hold the customers' inventory. "We are sitting here as a broker of services from our employees and vendors to our customers," says Sun. Kingston not only eliminates the cost and hassle of inventory for its customers but offers a wide array of products. Moreover, because of its favored status with strong vendors, it is virtually assured of having new products first. To Kingston customers, that translates into relative scarcity of those products—and, accordingly, higher margins before the market becomes flooded.

In the meantime, Kingston's founders act as though the company could end tomorrow—and even take great pains to talk down its success. Tu has been a persistent worrier since day one, figuring the company would be out of business within six months of start-up, as soon as competitors caught on to it. Sitting in his office one recent day, Tu held the simple memory chip upon which Kingston built its early success. "This is like making chocolate-chip cookies. This is really stupid," he said, shaking his head and noting there was nothing revolutionary at all about the device. "I never imagined we would get *this* far."

Mike Burns of Motorola predicts Kingston will hardly be a flash in the pan. Not only has the company redefined the way its industry does business, it's also pushing into new niches with entrepreneurial flair. Not only has Kingston gotten into building upgrade products for workstations, it has also delved into processor, graphics, and network cards, and recently invested in a nearby company that manufactures laser printers. It has also embarked on a joint venture to market its products through a chain of superstores, believing that type of outlet to be the wave of the future.

Kingston has always been quick to spot a trend in the computer marketplace and jump on it. With PC manufacturers at war with one another, introducing better and cheaper products at a faster and faster rate, it appears that—despite Tu's worries—Kingston's market is not about to dry up anytime soon. ⌟

How to Launch an Inc. 500 Company

What many booming businesses have in common isn't sorcery, it's a simple strategic idea—an idea, in fact, that's as applicable to start-ups and strugglers as it is to fast-track money-makers

BY JOHN CASE

INC. 500

BUSINESS FANTASIES? TRY THESE ON FOR SIZE: Dennis and Ann Pence leave high-powered careers in New York City for the wilds of northern Idaho. They start a catalog company selling nature-oriented gifts. Its success is startling: $11 million in revenues last year, an estimated $20 million this year. Profits hover around 16%.

Gary Gagliardi, a Seattle software consultant, begins to create and sell accounting programs for businesses. The marketplace is teeming with competitors, but Gagliardi's new company shoots to the top, displacing the industry leader. Before long, big customers such as Marriott Corp. are placing orders. Sales for fiscal 1991: $5 million, with profits in the 6%-to-10% range.

Max Duncan loses his job as a drilling engineer; he is one more casualty of the mid-1980s slump in South Texas oil. Duncan gives the energy business one last shot, starting a company to make specialty chemicals for drillers. Incredibly—because better-established companies are scrambling to get out of this market—he strikes pay dirt. Last year Duncan's company topped $6 million in sales.

At times, we realize, such stories can be the curse of an entrepreneur's life. There they are, lionized in the local newspaper or the chamber-of-commerce quarterly or *Inc.*, men and women with the Midas touch, magically creating gilt-edged companies and effortlessly slaying competitors. You can almost hear the envious reaction from less favored CEOs. *What wizardry do they know that I don't?* Or maybe just: *How did they get so lucky?* When you're mired in the muck of last month's ledgers and next month's projections, the gap between fantasy and reality can loom large.

And yet the plain fact about many booming businesses is that they aren't magical at all. What they have in common isn't sorcery, it's a simple strategic idea—an idea, moreover, that's as applicable to start-ups and strugglers as it is to fast-track money-makers.

The idea begins with a simpleminded observation. Every company faces competition. Other businesses, some of them larger and better financed than yours, can always duplicate or imitate your offerings, can match you dollar for dollar in marketing, can hire as many people.

But successful CEOs invariably choose something, one key element of the business, that can provide their companies with an edge no competitor can easily match. Management theorist Michel Robert calls it the organization's "strategic heartbeat"; in simplest terms, it's the skills and systems that the company is built around, and that it knows better than anyone else. Robert's book *The Strategist CEO* mentions several big-company examples. At Johnson & Johnson, the strategic heartbeat is the company's single-minded focus on four—and only four—sets of consumers (doctors, nurses, patients, and mothers). At Sony, it's the company's unparalleled proficiency at research and development, which provides a constant stream of new products. Whatever that strategic center may be, says Robert, the most successful enterprises set their priorities around it and pour resources into it, thereby developing knowledge and capabilities competitors simply don't have. That's how they stay ahead of the pack.

As several examples culled from this year's *Inc.* 500 show, that is a lesson not limited to corporate giants. On the contrary: a lot of small companies have learned it so well that their success can seem truly fantastic.

Competitive Edge: Making Buying Easy

WHEN THEY LEFT NEW YORK CITY TO SET UP COLDWATER Creek Inc. (#71), in Sandpoint, Idaho, Dennis and Ann Pence began developing a network of small crafts manufacturers that could provide them with unusual gift items, such as tiny jade wolves howling at the moon. They placed a few ads; they designed their catalog; they began compiling

ILLUSTRATION TOMEK OLBINSKI

a list of mail-order customers. So far, nothing any other savvy marketer with a good eye for crafts couldn't do.

But in the Pences' minds there was one key to a mail-order company's success. Call it the place where customer meets company: it includes everything from the day someone gets Coldwater Creek's catalog to the day she (most customers are women) receives an item she ordered. Carry out every step in the process better than anyone else does, the founders figured, and the buying decision will be so pleasant and simple that customers will keep coming back for more.

Today that strategic focus is visible in how the company directs its resources and develops its skills.

The catalog uses top-of-the-line photography, color separation, and paper: "We spend much more money than any cataloger our size I know," says Dennis. Result: colors are more accurately rendered, the items more precisely portrayed. Thanks in part to this authenticity, Coldwater Creek's merchandise returns are about 3.5%, a little more than half the gift-industry average.

Incoming calls are answered in an average of three seconds. The company makes sure there are always enough operators on duty to meet that standard, even if some are sitting around waiting for the phone to ring. The carefully tracked abandoned-call rate runs from 0.2% to 0.3%, compared with an industry average of 3% to 5%. Says Dennis: "We're saying, 'You're going to let one out of 20 potential customers walk? It's insane.'"

Orders are processed immediately; 90% go out the same day, virtually all within 24 hours. Seeking to reduce order-fulfillment errors—wrong items, wrong quantities, and so on—a team of employees identified 16 sources of error and created systems to prevent them. Today the company registers a 0.2% fulfillment-error rate, which is about one-fifth the industry average.

Central to all those efforts is Coldwater Creek's high-powered computer system: a new Hewlett-Packard 3000/967 minicomputer; the personal computers and other hardware that are plugged into it; and the fourth-generation catalog-company software, both more powerful and more flexible than earlier programs. The "heavy-duty iron," as Dennis describes it, lets the company focus on minute details of interaction with the customer. A simple bit of programming, for instance, prevents company shippers from sending packages via United Parcel Service to a post-office box; earlier, that logistical impossibility had been a common source of delays. Custom-designed curves allow Coldwater Creek's buyers to plot potential sales of dozens of items after only a week or two of incoming orders. They can then schedule monthly shipments from suppliers, reducing back orders while still holding down inventory costs.

As for pouring in resources, the Hewlett-Packard and other recent improvements to the computer system cost Coldwater Creek more than $1 million over the past 24 months. "That's a lot of computer for a company our size," says Dennis. "But we need the ability to use this kind of information, to have it at our fingertips, even more than a large retailer does. It provides us with a competitive advantage."

Competitive Edge: Fast Product Development

FOURGEN SOFTWARE (#465 THIS YEAR, #146 LAST YEAR), BASED in Edmonds, Wash., began selling accounting software to small and midsize businesses several years ago. Its product had an initial advantage over the competition's: it was more easily adaptable to a business's individual needs. ("Modifiability by Design" was the company's slogan.) In software, however, a technical lead can vanish quickly. What gives FourGen its edge today—it is still the fastest-growing company in its industry—is its relentless focus on product development. New versions of its software have allowed it not only to stay ahead of the market but also to move into lucrative new niches, such as providing systems to large corporations.

Achieving rapid innovation meant training every employee to think like an owner—to plan work around long-term objectives, to root out problems at their source.

Accounting-software companies typically release enhanced versions of their products every 18 months or so. FourGen has collapsed that cycle to 3 months. Four times a year it releases new products. At different points, but at roughly the same interval, it releases "bug fixed" editions of existing products. "We're six to eight times more productive than other software companies in terms of being able to improve the product," claims cofounder and CEO Gary Gagliardi. "That's what has allowed us in one year to go from products aimed at small to medium businesses to a corporate product."

To reach that level of rapid innovation, Gagliardi essentially has had to reinvent—and keep reinventing—the company's operations, pouring resources into training and restructuring and internal communication. Step one was to scrap the old method of software production, in which programs moved sequentially from research to development to production. Step two was to create self-directed work teams capable of developing products from start to finish in a small fraction of the usual time. To Gagliardi that meant training every employee to think like an owner—to plan work around long-term objectives, to root out problems and bottlenecks at their source, to coordinate by staying in constant touch with others doing relevant tasks. Over a period of three months Gagliardi met with everyone in the company for an intensive series of small-group training sessions. He imparted both that philosophy and the skills, such as statistical analysis of output, that he saw as critical to its implementation.

Implementing the new approach has been neither cheap nor easy. Employees must spend from 5% to 30% of their time—up to two or three hours a day—reading and responding to the inevitable flood of electronic-mail messages. Group leaders

must lead by consensus, often a time-consuming process. Training continues, in areas such as consensual decision making and internal communication. Even so, the payoffs have been remarkable. Automatic testing programs have been developed, shortening the time required for finding and fixing bugs. Glitches in the process of writing, printing, and shipping documentation have been eliminated. As new and updated products have begun pouring out, sales have shot up—roughly 60% in the year ending June 30.

To keep up with the fast pace, FourGen employees often work 60-hour weeks. They are expected not just to put their time in but to decide for themselves what to do; and in some cases, they are paid below-market wages. What makes the system possible is the fact that most are owners of the company and are treated as such. Basic financial information is distributed monthly. Fringe benefits are generous, and cash compensation is supplemented with bonuses based on FourGen's profitability. Seventy percent of the company's 90 employees hold potentially lucrative stock or stock options. "In the end, we intend to create a lot of millionaires," says Gagliardi.

To stay lean, everyone is trained on every piece of equipment. People fill in for one another. Repairs and maintenance are done on the spot, by the same people who run the equipment.

Competitive Edge: Low Cost

INTEGRITY INDUSTRIES (#394), IN KINGSVILLE, TEX., DIDN'T have what you would call an auspicious beginning. Not only had founder Max Duncan lost his job, not only were the South Texas oil fields in a state of near-collapse, but Duncan had virtually no money. Nor was any outside financing available: back then, energy-related ventures were as popular with Texas banks as a skunk at a wedding.

So Duncan redefined the concept of bootstrapping. He located a vacant facility where he could blend specialty chemicals and persuaded the owner to sign on as a partner: Duncan gave him one-third of the fledgling company in return for a year of free use. He found an experienced sales manager willing to take another third of the company in lieu of a year's salary. Duncan bought used equipment for "pennies on the dollar"; he ordered free samples from chemical companies for his initial raw materials. He lived on unemployment benefits.

Even in a depressed industry, however, Duncan quickly found customers. The reason was simple: his costs were so low that he could charge 10% to 20% less than the competition. He made a little, sold a little, poured the profits back into the company, and made a little more. Soon he had a modest loan from the local bank, and by the end of his second year he had bought the blending facility from his partner. Since 1987 the company has grown more than eightfold. Even with growth, though, Duncan never lost sight of Integrity's key advantage, which was its ability to maintain rock-bottom costs. "We're able to make healthy profit margins and keep prices low by maintaining extreme efficiency in our operation," he explains.

What makes for efficiency in this near-commodity industry? For one thing, not only does Duncan blend chemicals, he designs and builds his own blending equipment. A plant for making "soap sticks"—products dropped into a well to help the oil or gas flow more freely—uses a unique hot-water heating system and requires only one operator, compared with the three or four attendants required to run conventional equipment. Another custom plant, for oil-based drilling fluids, allows one employee to do the work of five. What makes such a quantum jump possible, says Duncan, is the fact that the specialty-chemicals end of the energy industry has been a kind of backwater, largely ignored by engineers. "So we took some time and spent some money in making the plants do a hell of a lot better job than what was already on the market."

Integrity's work force gives new meaning to the term *lean*. Duncan expects this year's sales to rise 10% over last year's. Yet the head count remains at only 18: Duncan, three people in sales and marketing, an accountant, a secretary, and 12 production and delivery people. Production managers work alongside line workers; everyone is trained in the operation of every piece of equipment. People fill in for one another as necessary. Repairs and maintenance are done on the spot, by the same people who run the equipment. "They're extremely knowledgeable about every phase of our operations," says the CEO.

Integrity spends money to make sure the employees keep all that knowledge within the company. Wages average 50% above the current industry standard. The company pays for health insurance. A pension plan matches up to 15% of an employee's earnings, and a bonus plan distributes up to 25% of profits. Duncan makes a point of both training employees and letting them know how the company is doing. ("It's kind of an open-book-type policy," he says.) The result: turnover at Integrity is virtually nil. "We have high levels of expertise because all of our people are experienced in our own operation."

Competitive Edge: Getting Shelf Space

QUESTION: HOW DOES A YOUNG COMPANY COMPETE IN THE toy business? If you said, Get on the shelf at Toys 'R' Us, you win. The giant retailer has up to 50 times as much space for toys as other toy sellers do, and smaller merchants watch closely what their big competitor buys. Trouble is, not much of that extensive shelving is up for grabs. Giants such as Mattel and Hasbro claim sizable chunks. Classic toys—from Monopoly games to the Fisher-Price preschool line—occupy much of the rest.

Such obstacles don't faze John Osher, founder and president of Cap Toys Inc. (#92), who has built his Bedford Heights, Ohio, company around just such a strategic focus. "You're not competing with other companies head on, you're competing for shelf space," he explains. "You're trying to create toys that buyers have to buy because they feel that

everyone else is going to buy them."

Osher's methods: spend at least two months a year on the road visiting the professional toy inventors who come up with most of the industry's new products. ("To get 10 or 12 products, we probably look at 3,000 concepts," says Osher.) Keep an eye out for toys that have some unusual features without being too far out. (Example: Cap's Giant Bubble Gun, a battery-operated device that blows soap bubbles.) Stay away from dolls, action figures, and other fashion-driven categories; they're too unpredictable. Make sure you have plenty of manufacturing capacity available, but keep overhead low. (Cap collaborates with a Hong Kong partner that oversees manufacturing; the partner is paid entirely on commission.)

Most important: work closely with Toys 'R' Us buyers. Show them concepts. Develop packaging themes together. Discuss pricing. If they don't want it, don't argue; chances are there's something wrong with your approach. "If Toys 'R' Us doesn't like the toy, we don't do the toy," declares Osher. Finally, make sure the toy can sell itself on the shelf, since TV advertising is both costly and risky.

Once you're on the shelf you have a good chance of staying there: Osher hopes for three to five years of sales from each toy, and he develops lines of toys that build on previous sales. That's why Cap's revenues, already up 2,392% in the past five years, will likely rise another 100% this year. At that rate, Osher will reach his start-up goal—a $100-million company—in short order.

ONE INDUSTRY, DIFFERENT EDGES

The task for a company in the construction industry: erect high-quality buildings at the lowest possible cost. But what if everyone else does the job (or claims to do it) as well as you do? Like any business, a contractor or builder has to develop an edge by choosing one key element of the trade and delivering it better than any competitor does—and by pouring all necessary resources into that strategic focus.

Do the most successful contractors tend to choose the same focus? Nope. The builders on this year's *Inc.* 500 are the cream of anyone's crop: they recorded their rapid growth during a five-year period when construction nationwide was shrinking by 15%. Even so, they're as different from one another as a screwdriver from a blowtorch. Some examples:

Managing subcontractors. Doug Anderson of Union Pointe Construction (#205), in Salt Lake City, relies on subcontractors for 40% to 80% of each contract; he attributes Union Pointe's success to its "superior relationship" with them. Anderson carefully prequalifies subs before giving them a job, asking them to fill out detailed questionnaires indicating the size and types of projects they've worked on in the past. Once hired, subs must purchase and follow a standard specification manual, a tome that spells out company policy down to the tiniest detail. In return, Anderson says, he'll cut his subs slack when needed—for example, providing them advance draws when cash is tight.

Drumming up new business. Joel Field of Field Brothers Construction, in Marion, Ohio, has made the *Inc.* 500 twice (#417 this year, #131 last year) by turning his business into a numbers game. The company—run also by brothers Jon and Dave Field—specializes in home remodeling and uses telemarketing to find new customers. The key: a predictive dialing system that lets operators cull numbers from a computerized database and call up to 14,000 households a day. Each day's calls typically generate 50 qualified appointments, 30 of which Field Brothers converts into jobs.

Creating a distinctive image. Ken Wells of Key Construction (#259), in Wichita, wants to make "customers so happy they can't stand the thought of doing business with anybody else." But first they must believe that Wells is different from everybody else. To that end, Wells has field workers wear uniforms on the job; his office staff wear regular business apparel. Stationery and envelopes are embossed, not just printed, with Key's logo. Job sites are neat and are posted with highly visible Key Construction signs. Wells's rationale, which he tries to instill in every one of his employees: each job is not just an opportunity to make money but an occasion to sell the company.

—*Alessandra Bianchi*

Competitive Edge: A Unique Distribution Channel

NOT MANY START-UP ENTREPRENEURS WOULD CARE TO plunge into a slow-growth manufacturing business dominated by big German and Japanese companies. But Eric Stetzel did just that—and his company, Panoramic Corp. (#46), is now the nation's top seller of panoramic-X-ray machines, the kind that let dentists photograph a patient's whole mouth at once. Stetzel's secret: he developed a distribution channel competitors couldn't easily emulate. Stetzel began selling supplies to dentists right after he finished college. He took on a Japanese panoramic-X-ray line and soon was its largest U.S. distributor. But in the mid-1980s, with the yen rising relative to the dollar, Stetzel began thinking of eliminating his supplier. Knowing there was plenty of excess manufacturing capacity in his hometown of Fort Wayne, Ind., he sought out a partner capable of reverse-engineering the Japanese machine and producing a homegrown version of it—much as Japanese companies once did with countless American products.

In 1988 Stetzel's new company, Panoramic, began marketing its U.S.-made machines direct to dentists, no distributors involved. Today, only four years later, it's still the only direct seller in the industry. Salespeople based in Fort Wayne make calls around the country and attend trade shows. Once an order is in, the machine is shipped out promptly; it can arrive in a dentist's office as early as the next day.

The maintenance of this distribution channel is a top priority for Panoramic. Customer-service reps call buyers monthly and visit their offices twice a year. The company offers a two-year parts-and-labor warranty, as compared with the one-year parts-only warranty standard in the business. "We feel that loyalty and word of mouth really help us," says Stetzel.

Eliminating the middleman, adds the 36-year-old founder, allows Panoramic to keep prices low even while offering services a buyer might expect from a dealer, such as below-market financing. Best of all, none of his big competitors can easily emulate the strategy of direct selling. "They'd have to cut off dealers they've had for years," says Stetzel with a laugh. "Besides, they sell everything from dental chairs to toothbrushes, and those products do need distributors."

Panoramic's sales this year are expected to hit $12 million, up from about $6 million last year. ⌟

THE NEXT GENERATION

The 30 *Inc.* 500 CEOs who are 30 or younger are different from their older colleagues. Their claim: the younger you are the better when it comes to starting a company

BY BRUCE G. POSNER

INC. 500

MOST PEOPLE WHO EVENTUALLY START SUCCESSful businesses travel a familiar path. They set off after college to get their feet wet in corporate America. Then after a decade or so at other companies, they go off on their own. To one degree or another, the businesses these men and women start are shaped by their experiences. But recently, we've noticed a new wave of businesses begun not by veterans but by brazen young people with no claims to any experience.

It's hard to quantify the phenomenon—we know of no numbers. But individuals who are in good positions to track this activity (college career counselors, for instance) say a new, more virulent strain of start-up fever has been striking college students and other young adults since the late 1980s, when many big companies began closing doors on entry-level hiring and lopping off tens of thousands from their work forces. With all the concern about how problematic it can be to survive and flourish in established organizations, starting one's own business has emerged as an appealing option, says Marcia Harris, director of career-development services at the University of North Carolina at Chapel Hill. "Young people are saying, 'If we can't count on someone else, we'll hire ourselves.'" For the first time, we're seeing the ripples of this trend in the *Inc.* 500; this year, 30 company founders (29 men and one woman) are 30 years old or younger, which means most of them began their businesses before their *25th* birthdays.

A few, it seems, were born to start companies. Ben Narasin of Boston Preparatory (#416) has been fixated on the notion since childhood, when he watched his father go off to work at IBM. An entrepreneurial-studies major at Babson College, Narasin, now 27, wrote the original business plan for his men's-sportswear-manufacturing business as his senior thesis. And that was after he'd already had a string of other money-making endeavors.

Narasin, however, isn't really typical. Others, rather than organize their lives to become entrepreneurs, studied political science, premed, or art history (three skipped college altogether), and became company founders more accidentally. Jack Mayes of Cardboard Gold (#74) dropped out of the University of California at Irvine, and after striking out selling baseball cards, shifted into selling paraphernalia for baseball-card collectors. Yvonne Cucci of Cucci International (#474) began by printing T-shirts for her father's boat business as an alternative to taking a sales job at the local mall. And Bud Prentice of Applied Computer Technology (#257) spent part of his spare time while a student at Colorado State assembling low-cost personal computers for a widening circle of friends. Only after these founders had been at it awhile did it dawn on them that, lo and behold, they had "businesses."

Jim Noble of Noble Oil Services: 'I didn't carry around a bag of "You can't do's."'

Getting a business off the ground can be intimidating at 22 or 23. "People had a hard time taking me seriously," recalls Prentice, now 28, echoing others' comments. "A supplier once asked me, 'Where are your parents?'" For many of these founders, a big hurdle was money. Since few of them had personal savings or collateral to borrow against ("What was the bank going to take, our *stereos*?" asks John Chuang of MacTemps [#12]), there were generally two options: being crafty at bootstrapping, as

PHOTOGRAPH: SENY NORASINGH

THE UPSTARTS

Here, in alphabetical order, are the Inc. *500 companies whose founders were born in 1962 or later.*

Applied Computer Technology (#257)
Athletic Fitters (#323)
BitWise Designs (#79)
Boston Preparatory (#416)
Cadapult Graphic Systems (#72)
Cardboard Gold (#74)
Creative Producers Group (#329)
Cucci International (#474)
D.J. King Trucking & Excavating (#123)
D&K Enterprises (#137)
Federal Investment (#36)
Gateway 2000 (#2)
Glitterwrap (#38)
Griffis/Blessing (#361)
Inside Communications (#239)
Insight Distribution Network (#5)
IVT Limited (#241)
J and M Laboratories (#487)
Koch International (#315)
MacTemps (#12)
MBS Communications (#368)
Micro-Frame Technologies (#50)
Noble Oil Services (#196)
Premiere Merchandising (#64)
Small Systems Management (#223)
Southern Audio Services (#255)
Staff Relief (#44)
Summit Marketing Group (#88)
SWFTE International (#166)
Union Pointe Construction (#205)

were Geoff Snelling and Marc Greenberg of Small Systems Management (#223), who started their business on $460 each; or convincing family members that the business was a decent investment. More than a quarter were able to do the latter. Those who managed to get bank loans almost always had to get parents to cosign.

Yet this group doesn't hold grudges against skeptics who may have brushed them off. Memories of doubting bankers and customers have for the most part faded. What you hear now is that one's twenties are really the *best* time of all to launch a business.

PRACTICALLY EVERYONE TALKS ABOUT the personal aspects of starting a business while relatively young. Without families or other constraints, these entrepreneurs were free to work 80-hour weeks without worrying about being late for supper or missing Little League games. Living in cheap apartments with roommates—or, as in the case of Michael Levin of Cadapult Graphic Systems (#72), at home with parents—they could keep overhead costs low. And if the business fizzled, when else in their lives would they be in as good a position to pick up the pieces? "The worst thing that would happen," figured Bob Roscoe of MBS Communications (#368), "was that I'd have to go out and get a job like other people."

Hearing about the personal pluses of starting in one's twenties isn't surprising. What's remarkable is the extent to which these founders talk about the *business* advantages of being young and freewheeling. To be sure, a few of them went out of their way to find gray-haired advisers to help them through dicey business situations. Ian Griffis and Buck Blessing, cofounders of Griffis/Blessing (#361), a real-estate-management company, decided relatively early to set up a board of experienced businesspeople to help them gain perspective. "We didn't think we needed to reinvent *every* wheel ourselves," explains Blessing. But most of these risk takers learned to live by their wits and to depend on those of their closest associates. "We were always looking for new ways to do things," says Eric Crown, founder of Insight Distribution Network (#5), a computer mail-order business. Often, he says, the solutions they found worked at least as well as those competitors came up with—at a fraction of the cost.

Even those who entered more established industries felt no compulsion to toe any line. Jim Noble of Noble Oil Services (#196), who started his waste-recycling business three years out of high school, had been warned by some industry veterans that he wouldn't be able to find buyers for a certain type of industrial diesel oil. But he produced it anyhow—and is glad he did. Within six months it accounted for 40% of his business. Since then, he says, he's challenged the way the industry thinks about lots of things. "Unlike people who've been in our business for 10 or 15 years, I didn't carry around a bag of 'You can't do's,'" says Noble, now 30. "That's given us a big advantage."

IF THESE YOUNG FOUNDERS ARE AT ALL representative, people starting businesses in their twenties have different notions about work and organizations than their older counterparts do. Not only were these individuals more inclined to launch their companies with at least one partner (65% of the under-30s compared with 58% of the entire list); they also talk more about the importance of fun. That includes having a challenging and supportive environment in which people dress more casually than in most workplaces. John O'Neil of Micro-Frame Technologies (#50) kicks off his shoes the minute he walks into the office. Connected to many founders' definitions of fun is the idea of people doing high-quality work in teams and being rewarded at least as well as employees at other companies.

Indeed, many in the 30-and-younger set take pride in what they describe as a

MacTemp's John Chuang had no collateral to borrow against. 'What was the bank going to take, our stereos?'

PHOTOGRAPH: KATHY TARANTOLA

lack of hierarchy within their organizations. The idea of managing from the top down makes many of them uneasy. "People don't like feeling that you're the boss and they're the employees," notes Brian Shniderson, 27, who cofounded Premiere Merchandising (#64) with his cousin Greg Klein, 25, when they were undergraduates at UCLA. "So we give them lots of autonomy and good benefits. We've got lots of deadlines, so it requires a total team effort, or else the road gets pretty bumpy."

For some, a flatter organization is also appealing economically. "Managers and supervisors cost a lot of money," explains Chuang of MacTemps, who recently got his M.B.A. from Harvard. So rather than build up layers, he's investing in technology and computers to handle some of the things supervisors do in other companies. "This way," Chuang says, "our people will be doing more interesting work, and we'll be able to pay them better."

As fervently as young founders talk about the importance of giving employees responsibility, not many have shared ownership with them. Only a third of the group say they have given any equity to employees. And though only a few rule it out, most say they haven't thought much about it. Like Paul Taunton of Athletic Fitters (#323), they're convinced that, for now, young people are more interested in compensation and interesting work than in owning a piece of the business.

AND WHAT ABOUT THESE FOUNDERS themselves? By now most of them have been involved in their businesses for 6 or 7 years. After a blur of 80-hour weeks, some say they really don't *feel* so young. "My girlfriend says I look 10 years older than I am," notes Cardboard Gold's Mayes, who recently turned 26. While many of their friends are still struggling to get established in their careers, these CEOs are already grappling with questions usually reserved for their elders: What role do they want to play in the business? And where are they needed?

For some, the choice is clear. "I used to be on call at all hours, putting out fires, but now we have other people who can do that," says Roscoe of MBS Communications. He used to go without vacations, but since he got married, last December, he's taken four weeks off. Likewise, Tom Mosey of D&K Enterprises (#137), a publisher of children's books, spends a lot of his time acting as a cheerleader, and he's cut way back on weekend work. "For almost a year my wife and I have been going to our lake house every Friday," he says. "She won't tell me the phone number."

For others, redefining their jobs has been anything but easy. Some who've balked at giving up responsibility are fearful of what might happen if they don't and what might happen if they do; others who've booted themselves upstairs don't seem happy with where they are. "I miss the excitement of the trenches," says Crown of Insight Distribution Network, who says he spends a lot of his time on legal and administrative problems. "It's not nearly as much fun as it was in the first few years."

So what will they do next? About a third of them speculate about selling their companies or taking them public in the next few years, at which point a few think they'd go out and start something else. And what about the ones who don't talk about selling? Well, for the next 10 years or so they plan to work toward taking their businesses to the next stage—hitting revenues of, say, $40 million or $50 million. Some are thinking about ways to diversify their products, others about exporting. And for many more, the big challenge is learning how to do a better job in the markets they're already in. "I really can't see selling for at least 10 or 20 years," says 30-year-old Michael Koch of Koch International (#315). "I guess I don't know what I'd do with the money."

Money is clearly something most have thought about. But a lot of them profess to be less focused on financial success now than when they started. Maybe it's because they don't have to worry as much about meeting payroll, or because they're *already* more successful than they'd ever imagined. But what motivates them today has less to do with their net worth and more to do with how they're viewed by others: their customers, their employees, even their competitors. "I don't feel we have to be the biggest," says Noble of Noble Oil, "but I do want to be recognized by people in our industry as being innovative and well managed. That would be very satisfying for me."

Eighty-hour weeks take their toll. 'My girlfriend says I look 10 years older,' says Cardboard Gold's Jack Mayes.

In this age of environmentalism, you'd expect this group to have grand visions about their impact on the world—how their businesses will make the planet cleaner or safer or prettier. But though they talk about their personal commitments to causes—to the environment and to helping people and communities through charities—the business, they maintain, needs to be handled separately. It's as if they were saying, "We're not kids, we're businesspeople." And now that they have others counting on them—customers, employees, spouses, and children—their first obligation is to make sure the business grows and makes money. As Levin of Cadapult Graphic Systems puts it, "We want to make things better, but we're not Ben & Jerry's." ⌟

Research assistance provided by Merritt T. Carey, Christopher P. Fontes, Stephanie Gruner, Andrew S. A. Macaulay, and Rachel S. Tsutsumi.

PHOTOGRAPH VOLDI TANNER

INC. 500

INDEX

AAMP of America (33)
Abacus (55)
Abacus Technology (68)
ABA Personnel Services (312)
ABL Electronics (380)
AccSys Technology (484)
AchenGardner (284)
Action Temporary Services (184)
Active Voice (17)
Administaff (16)
Adtran (48)
Advanced Cellular Systems (146)
Advanced Computer Systems (136)
Advanced Systems Technology (108)
Advantage Construction & Remodeling (260)
Allen Systems Group (387)
All Green (95)
Alliance Employee Leasing (15)
Allied Holdings (177)
Allstar Builders (106)
Allsup (363)
American Cargo Systems (271)
American Fashion Jewels (175)
American Fastsigns (189)
American Insurance Management Group (382)
American International Construction (365)
American Magnetrends (45)
American Packaging & Assembly (209)
American Playworld (316)
American Teleconferencing Services (489)
A.M. Express (274)
Am-Pro Protective Agency (164)
Apogee Research (497)
Applied Computer Technology (257)
Applied Utility Systems (351)
Arbor Systems (424)
Artistic Impressions (301)
Asia Source (399)
Asiana Personnel (490)
Associated Family Photographers (237)
AST/The Data Group (282)
Athletic Fitters (323)
Atkinson-Baker & Associates (149)
Atlantic Coast Textiles (75)
Atlantic Network Systems (116)
ATV (430)
Audio Partners (208)
Authorized Cellular/Security One (480)
Auto Kontrols (62)
Automated Systems Design (128)
Automation Partners International (134)
AutoSoft (299)
Aztech Control (314)
Barclays Law Publishers (266)
Barclays Oxygen Homecare (321)
Barry T. Chouinard (381)
Bendco Bending & Coiling (433)
Bike Pro USA (435)
Binary Arts (299)
Biotym Technologies (181)
BitWise Designs (79)
Boston Preparatory (416)
Broadcast Plus Productions (276)
Bruce Co. (138)
Bulk International (429)
Bushman (457)
Business Computer Training Institute (101)
BKV Technology (30)
Cadapult Graphic Systems (72)
Cadmus Group (456)
Calais Home (67)
Camelot Systems (217)
Canvasbooks (327)
Cap Toys (92)
Cardboard Gold (74)
CareKeeper (492)
Carlson Co. (224)
Carrera (403)
Center for Applied Psychology (99)
Certified Abatement Systems (122)
Chester Oak Consulting Group (253)
Chico's (309)
CMG Health (59)
CMS Communications (479)
Control Environmental Services (142)
Coldwater Creek (71)
Collegiate Sports Design (83)
Combined Resource Technology (191)
Command Medical Products (153)
Commercial Benefits (383)
Commonwealth (344)
Communications, Marketing & Distribution Services (297)
Communique Telecommunications (8)
Complete Health Services (85)
Complete Property Services (438)
Comprehensive Technologies International (203)
CompuCredit (384)
Compurex Systems (63)
Compusense (242)
Computer Communication (291)
Computer Equity (256)
Computerized Diagnostic Imaging Center (251)
Computer One (155)
Computer Service Supply (200)
Concord Holding (396)
Conmec (52)
Contract Manufacturer (37)
Copifax (120)
Copivio (499)
Corporate Child Care Management (43)
Corporate Express (27)
Corporate Staffing Resources (118)
Country Originals (207)
Coverall North America (250)
Creative Producers Group (329)
Creative Products (176)
Creative Staffing (473)
Curtis International (474)
Custom Applications (174)
Cutchall Management (148)
Dan Flickinger Inc. (493)
DansLOK (252)
Data Sciences (229)
DataServ (285)
Data Storage Marketing (111)
Datastorm Technologies (376)
Deviat Mitchell & Associates (161)
DAZSER & DAZSER/MD (202)
DCS Software & Consulting (482)
DCT Systems (289)
Deikers (330)
Delta Environmental Consultants (254)
De-Mor (486)
Denebia Systems (84)
Design Automation Systems (143)
Design Bases (423)
Design Fabrication (293)
Dickens Data Systems (159)
Digidesign (132)
Digital Instruments (150)
Digital Network Associates (130)
Diplomatic Language Services (476)
Directed Electronics (249)
Diversified Pacific Construction (235)
D. J. King Trucking & Excavating (123)
D&K Enterprises (137)
Dominant Systems (206)
DSS (110)
Dunsun Industries (18)
Earth Care Paper (114)
Eastern Computers (105)
Eastern Group (295)
EDECO (352)
EduCare Community Living (70)
Electronic Ballast Technology (244)
Electronic Label Technology (300)
EMC Engineers (194)
Emeratech Group (360)
Energy Dynamics (448)
Engineering Management & Economics (304)
Environmental Operations (379)
EnviroSearch International (389)
Envoy Global (258)
Ergodyne (243)
ERM-Rocky Mountain (350)
ESE (327)
ESW (302)
Ethix (102)
Europerm by Collerton (261)
Evergreen Environments Group (308)
Executive Software (463)
Falcon Microsystems (500)
Fibernetics (157)
Federal Investment (34)
Fenders & More (328)
Fiber Optic Technologies (86)
Field Brothers Construction (417)
First Benefit (267)
Fisher Industrial Services (230)
Flex International (310)
Flexible Personnel (343)
Florida Infusion (34)
Florida Marketing International (422)
Focus Healthcare Management (41)
Forum/Markley Construction (466)
Fortitech (66)
Foster (201)
FourGen Software (465)
Fulton Computer Products (219)
Gale Group (427)
Gardner, Fox Associates (182)
Gateway 2000 (2)
Geerlings & Wade (336)
Generus Automation (377)
Genpack USA (119)
Genzyme (126)
GET Travel (286)
Gavin-Rumson (162)
Glitterwing (38)
Global Mail (35)
Globetec (434)
Goodmon Music (96)
Gounot & Associates (305)
Grand Aire Express (77)
Gravity Graphics (370)
GreenLine (454)
Griffin/Blessing (361)
Groundwater & Environmental Services (287)
Groundwater Protection (178)
GS Industries (272)
Gulf Coast Hair Care (411)
Gupta Technologies (199)
Gym Masters (129)
Harmony Schools (468)
Hazlo Services (459)
HazWaste Industries (222)
Heritage Asset Management Group (398)
Hernandez Engineering (292)
H.J. Fort Associates (154)
HMA Behavioral Health (418)
Hobard Benefit Plan Administrators (371)
Home Care Affiliates (467)
Horizon Data (436)
Hospitality Network (265)
Hub City Florida Terminals (187)
Huskell/Wainman Associates (289)
Humanix Temporary Services (461)
Idonix (197)
Import Printhead Services (236)
Indeck Energy Services (7)
InfoSource (269)
Inside Communications (239)
Insight Distribution Network (5)
Integratrak (386)
Integrity Industries (394)
International Computer Graphics (225)
International Computers & Telecommunications (76)
Intuit (121)
IQ Software (221)
Item Products (81)
Ithaca Software (170)
IVT Limited (241)
Jackson Hewitt Tax Service (233)
J and M Laboratories (487)
J.B. Dollar Stretcher Magazine (238)
Jellyn & Co. (21)
J. L. Honigberg & Associates (172)
JMR Electronics (268)
Joe Koch Construction (140)
Johnson & Co. Wilderness Products (144)
JRL Systems (135)
JTS Enterprises (104)
Kenley (412)
Key Construction (259)
Keypoint Technology (168)
Kingston Technology (1)
Knowledge Systems (397)
Kreh International (315)
Kofax Image Products (58)
Label Technology (294)
La. Venuti & Co. (279)
Landex Construction (390)
LBS Capital Management (240)
Leasing Solutions (60)
Leopardo Construction (333)
Lifetime Products (426)
Life & Co. (354)
Loan Pricing (447)
Loftin Environmental Services (165)
Logan Systems (400)
Long Restaurant (472)
MacTemps (12)
Magnet (446)
Maier Group (183)
Main Street Muffins (319)
Mai Laboratories (94)
Maipinto (23)
Marathon Systems (109)
Maritime Services (270)
Marketing Profiles (404)
MAR Oil & Gas (171)
Mastech Systems (3)
Mastercraft (498)
Mattern Construction (439)
Maximum Strategy (32)
MBS Communications (368)
McArthur/Glen Group (28)
McCaa's Carpet Outlet (320)
McGinnis Farms (163)
McNerney Heintz (325)
MC Strategies (303)
M.D. Enterprises of Connecticut (3)
MDM Engineering (359)
Medical Equipment Repair Services (331)
MedCenter (107)
MedSense (131)
MedServe Information Systems (91)
Megasource (458)
Mega Sys (20)
Melaleuca (47)
Mendez Excavation (471)
Mentoze Texas (475)
Mentor (24)
Metagraphics Printing & Computer Services (212)
Meters Industries (358)
MIC Industries (421)
Micro Dynamics (375)
MicroFrame Technologies (50)
Micro Information Services (197)
Microserv (406)
Microtest (124)
MMI of Mississippi (340)
Modern Technologies (392)
Monterey Homes (488)
Montgomery Development (78)
MRI Manufacturing & Research (190)
Music Tech of Minneapolis (443)
Mustang Engineering (42)
MVM (29)
MWW/Strategic Communications (332)
National Business Group (497)
National Catastrophe Adjusters (262)
National Contract Staffing (263)
NationaLease Purchasing (478)
National Safety Associates (65)
Nationwide Remittance Centers (90)
Nature's Recipe Pet Foods (337)
Neumann Development (231)
Noble Oil Services (196)
North American Processing (346)
Northwest Micro (444)
Northwest Pine Products (151)
Nutech Laundry & Textiles (414)
Oakville Forest Products (409)
OCS Group (420)
Optimation Technology (407)
Option Technologies (374)
Oremon Sales (342)
Pacific Trading Overseas (73)
PAI (87)
Palm Tree Packaging (167)
Panoramic (46)
Papa John's International (296)
Parexel International (26)
Parsons Technology (17)
Partnership Group (437)
Payroll 1 (98)
Payroll 1 MidAtlantic (89)
PBR Consulting Group (180)
Pelton & Associates (145)
Penn Property & Casualty (395)
Peripheral Land (210)
Personnel Management (226)
Pet Ventures (220)
Phoenix Controls (496)
Piedmont Group (218)
Pioneer Software (431)
Plastronics Plus (413)
Pleasant Co. (452)
Pou-Chen (470)
Powerfoot (22)
PPDM (462)
Precision Response (326)
Premiere Merchandising (64)
Preudio (54)
ProServe (113)
Proteus (425)
Quintiles Transnational (440)
Racom Technologies (156)
Red Rose Collection (103)
Retro Investments (378)
Regency Coffee (173)
Registry (53)
Remote Control International (348)
Research Information Systems (216)
Rentex (246)
Reunion Time (494)
Ribbon Outlet (117)
REM Business Systems (356)
Rivalynn Business Products (469)
Routing Technology Software (367)
Roux Associates (324)
ROW Sciences (147)
RRR Recreation Products (195)
Safesite Records Management (338)
Sahara (275)
St. Supery Vineyards & Winery (274)
Salesgenie Systems (19)
SalesTalk (125)
Sasaon Furniture (313)
Saturn Electronics & Engineering (355)
Schmulbert Shorr (464)
Schweitzer Engineering Laboratories (460)
Scientech (273)
S. Cohen & Associates (283)
Securitex Service Network (213)
Select Ticketing Systems (57)
Sentinel Systems (244)
Shepard-Patterson (198)
Sheridan (442)
Shields Health Care (362)
Shiva (25)
Siciliano (319)
Skender Construction (453)
Small Systems Management (223)
SMTEK (100)
SNL Securities (477)
Softdisk (56)
Software Technical Services (193)
Softfair (353)
Solantic (224)
Sonic Solutions (97)
Sonny Hill Motors (298)
Source Technologies (451)
Southern Auto Service (253)
Southwest Polymer (349)
Spacenet Consultant Products (339)
Spray Systems Environment (4)
SprayTech (249)
S&S Management & Consulting (372)
Staff Leasing (345)
Staff Relief (44)
Stanton Products (204)
StarPak (39)
Sterling Environmental Services (205)
Sterling Healthcare Group (6)
Stone Computer & Copier Supply (479)
Strathtex Fabrics (366)
Strider Group (220)
Summit Builder (455)
Summit Marketing Group (99)
Sun Coast Resources (81)
Sunrise Terrace (441)
Supplements Health Care Services (483)
SVI Analytics (419)
S&W Foundation Contractors (461)
SWIFT International (431)
Symmetrix (119)
System Connection (227)
System Resource (317)
Systems & Programming Solutions (287)
Taggart (211)
Tampa Bay Vending (82)
Taylor Medical (134)
Team Spirit (369)
Technical Management Services (193)
Technology Works (9)
Telemon (228)
Telephone Express (33)
Temp Wise (385)
Tentnet & Associates (364)
Thomas Conrad (39)
Thomson Mathematic (481)
Three Springs (179)
TJ Cope (311)
TMI (422)
Tobias Jewelry (393)
Touchstone Research Laboratory (347)
Trace Industries (194)
Tracer Research (495)
Trace Manufacturing (91)
Trames Trave (93)
Transitional Technology (10)
Travelpro Luggage (410)
Travel Store (34)
Trigen Energy (40)
Tri-Services (339)
Turbine Consultants (408)
Tyson Center Partnership (31)
Union Pointe Construction (205)
United International Engineering (415)
United Staffing (245)
Universal Technical Group (453)
USA Diner (306)
U.S. Computer Maintenance (85)
User Technology Associates (49)
U.S. Hospitality (215)
U.S. Structures (449)
U.S. Xpress (445)
Van D. Miller (232)
Vanguard Automation (36)
Vari Mail (280)
Vector Engineering (277)
Vengeo (4)
Vertex Construction (57)
Vermont Teddy Bear (83)
Vision Concepts Medical (481)
Wallace Bajio (133)
Water Refinement (41)
Wavier Industries (214)
Waste Reduction Systems (137)
Wax Enterprises (388)
Western Fiberglass (431)
Wind River Systems (69)
Wood Treat Partners (278)
World-Wide Refinishing Systems (69)
Wormington Wire Service (31)
Xtreme Production (317)
Zenten Enterprises (401)
Zip Formatics (455)

THE LIST

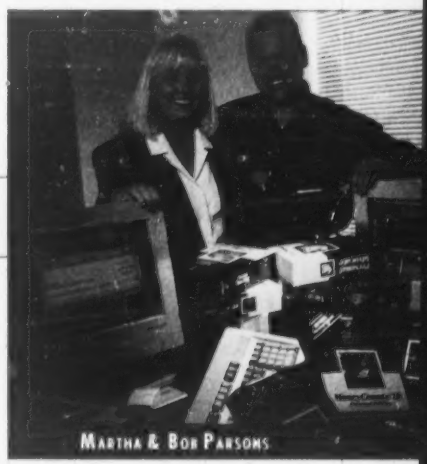
Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
1. Kingston Technology Fountain Valley, CA Mfrs. periph. for PCs	117,122%	$140,666	$120	A	A	110	2	1987
2. Gateway 2000 (1) N. Sioux City, SD Mfrs. & sells PCs	41,355	626,798	1,512	C	D	1,193	11	1985
3. M.D. Enterprises of Connecticut N. Haven, CT Provides HMO coverage to employers	35,767	83,212	232	D	F	163	20	1987
4. Veragon Houston, TX Mfrs. & sells diapers	33,687	34,125	101	F	F	110	30	1987
5. Insight Distribution Network Tempe, AZ Mkts. computers & computer prods.	25,545	61,548	240	D	D	250	10	1986
6. Sterling Healthcare Group Coral Gables, FL Provides health-care-mgmt. svcs.	21,705	28,128	129	C	F	40	0	1987
7. Indeck Energy Services (38) Buffalo Grove, IL Develops & operates cogeneration power plants	18,828	77,793	411	F	F	126	16	1985
8. Communique Telecommunications Ontario, CA Provides telecommunications svcs.	14,395	18,844	130	E	F	60	20	1983
9. Technology Works (4) Austin, TX Designs, mfrs., & mkts. computer-memory add-on prods.	12,747	28,264	220	D	F	100	20	1983
10. Transitional Technology Anaheim, CA Mfrs. helical scan tape subsysts. for computer market	9,823	11,511	116	D	A	46	4	1987
11. Parsons Technology Hiawatha, IA Develops software	9,771	28,033	284	D	D	235	2	1984
12. MacTemps Cambridge, MA Provides Macintosh temporary-personnel svcs.	9,437	13,447	141	D	B	72	3	1986
13. Telephone Express Colorado Springs, CO Provides long-distance telecommunications svcs.	8,771	18,451	208	C	A	80	24	1987
14. Worthington Voice Services Worthington, OH Provides 900-phone-number info. svcs.	8,599	9,134	105	A	A	9	2	1987
15. Alliance Employee Leasing Dallas, TX Provides employee-leasing svcs.	8,029	174,618	2,148	E	F	37	7	1986
16. Administaff Kingwood, TX Provides staff-leasing svcs.	7,316	298,360	4,023	D	E	11,380	430	1986
17. Active Voice Seattle, WA Develops voice-processing equip. & software	7,152	11,531	159	B	B	90	8	1983
18. Dunsirn Industries Neenah, WI Converts & sells paper & film prods.	7,125	9,754	135	C	F	62	12	1987
19. Salepoint Systems San Diego, CA Develops & sells IBM prods.	7,000	7,810	110	A	F	30	7	1986
20. Mega-Sys Greenwood, IN Provides logistics & transportation svcs.	6,967	7,703	109	D	F	13	2	1986
21. Jelyn & Co. Fort Washington, PA Mfrs. & distr. sweaters	6,915	8,769	125	B	C	15	2	1987
22. Powerfood Berkeley, CA Mfrs., mkts., & distr. a sports energy bar	6,714	10,970	161	D	F	56	0	1985
23. MapInfo Troy, NY Mfrs. computer software	6,671	7,042	104	C	F	80	8	1986
24. Metrica San Antonio, TX Provides data-processing, systs.-integration, & research svcs.	6,269	8,152	128	D	F	145	9	1984
25. Shiva (18) Cambridge, MA Designs & mfrs. internetworking prods.	5,957	28,044	463	F	F	130	7	1985

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

11

PARSONS TECHNOLOGY

Hiawatha, Iowa



MARTHA & BOB PARSONS

Bob and Martha Parsons started their software company in the basement of their nine-room home in 1984. It was a family affair. Their 5-year-old daughter, affectionately nicknamed "the mailman," stacked envelopes while their 15-year-old son answered the phone. Back in the early 1980s Bob Parson's father joked that they should be sure to take a photograph of the basement brigade in case the company ever got big.

Eight years and 250 employees later the husband-and-wife team wish they had taken that picture. Known for its customer service, Parsons develops and sells affordable software used in small businesses, homes, and churches. MoneyCounts, still the company's premier product, grew out of a program Bob had originally developed to manage the family's finances.

So, is there anything to miss about those basement days? Bob Parsons says with a smile, "I miss the looks we'd get from our neighbors when the 18-wheeler pulled up to the front door."

PHOTOGRAPH: KING AU

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
26. Parexel International (11) Waltham, MA Provides pharmaceutical R&D svcs.	5,922%	$25,652	$426	D	F	550	16	1983
27. Corporate Express (10) Boulder, CO Distr. office prods.	5,909	36,413	606	F	C	167	35	1985
28. McArthur/Glen Group McLean, VA Develops retail real estate	5,754	24,000	410	F	F	124	9	1986
29. MVM (244) Falls Church, VA Provides security & investigative svcs.	5,685	24,181	416	D	F	798	30	1979
30. B&V Technology (122) Idaho Falls, ID Mfrs. pharmaceutical, home, & personal-care prods.	5,647	18,275	318	A	A	231	18	1981
31. Mastech Systems Pittsburgh, PA Provides custom programming & systs.-integration svcs.	5,438	13,513	244	B	D	247	4	1986
32. Maximum Strategy San Jose, CA Develops & mkts. storage solutions for computing systs.	5,331	7,820	144	A	D	25	6	1986
33. AAMP of America Clearwater, FL Wholesales auto stereo parts	5,089	6,694	129	B	F	29	4	1987
34. Florida Infusion Palm Harbor, FL Distr. pharmaceuticals & medical supplies	5,060	21,931	425	B	B	16	2	1987
35. Global Mail Sterling, VA Provides intl. mail svcs.	5,018	8,803	172	C	C	45	4	1987
36. Federal Investment E. Providence, RI Develops real estate & provides property-brokerage svcs.	4,972	12,629	249	B	C	20	3	1987
37. Contract Manufacturer Madill, OK Mfrs. horse, stock, flatbed, & cargo trailers	4,962	5,619	111	D	E	68	12	1976
38. Glitterwrap Westwood, NJ Sells metallic & iridescent gift wrap & tote bags	4,926	10,404	207	D	D	75	2	1987
39. StarPak (23) Denver, CO Provides software & fulfillment svcs.	4,779	12,930	265	D	F	125	14	1978
40. Trigen Energy (70) White Plains, NY Provides heating & cooling to buildings	4,595	44,930	957	D	F	195	8	1986
41. Focus Healthcare Management Brentwood, TN Provides workers' comp medical-cost-mgmt. svcs.	4,564	11,521	247	D	F	200	40	1986
42. Mustang Engineering Houston, TX Provides engineering svcs. for oil & gas industry	4,546	15,286	329	C	C	230	10	1987
43. Corporate Child Care Management Nashville, TN Develops & manages employer-sponsored child-development centers	4,306	6,344	144	F	F	400	5	1987
44. Staff Relief Houston, TX Provides contract nursing svcs. to hospitals	4,276	13,521	309	D	D	600	0	1987
45. American Megatrends (2) Norcross, GA Designs & mfrs. computer motherboards	4,165	70,210	1,646	A	D	114	10	1985
46. Panoramic Fort Wayne, IN Mfrs. & mkts. panoramic-X-ray equip. for dental profession	4,143	5,855	138	A	F	20	5	1986
47. Melaleuca (105) Idaho Falls, ID Mkts. pharmaceuticals	4,143	100,765	2,375	A	B	728	28	1985
48. Adtran Huntsville, AL Designs, mfrs., develops, & sells electronic equip.	4,038	42,621	1,030	A	F	225	23	1986
49. User Technology Associates Arlington, VA Provides computer svcs.; designs & develops systs.	3,934	12,424	308	B	F	250	3	1985
50. Micro-Frame Technologies Ontario, CA Develops cost-mgmt. software for PCs	3,881	5,454	137	B	F	46	8	1985
51. Tycom Limited Partnership Santa Ana, CA Mfrs. precision cutting tools	3,848	11,450	290	F	F	210	15	1986
52. Conmec Bethlehem, PA Rebuilds, repairs, & supplies rotating equip.	3,819	19,401	495	D	C	110	7	1987
53. Registry Wellesley, MA Provides contract computer-personnel svcs.	3,809	16,927	433	D	F	54	10	1986
54. Presidio Suitland, MD Provides computer-systs. integration, prods., & svcs.	3,792	4,087	105	E	F	15	3	1986
55. Abacus (43) San Francisco, CA Sells & svcs. PC systs.	3,615	30,276	815	D	D	103	31	1979
56. Softub Pacoima, CA Mfrs. & mkts. soft-sided portable spas	3,555	6,359	174	D	F	70	3	1986
57. Select Ticketing Systems Syracuse, NY Produces & installs computerized box-office & outlet ticketing systs.	3,547	8,024	220	D	F	69	7	1986
58. Kofax Image Products Irvine, CA Develops image-processing hardware & software	3,503	10,342	287	F	F	96	7	1985
59. CMG Health Owings Mills, MD Manages health-treatment centers	3,381	10,442	300	F	D	95	3	1986
60. Leasing Solutions (12) San Jose, CA Leases computer equip.	3,286	23,295	688	D	F	48	12	1986

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

35

GLOBAL MAIL

Sterling, Va.

GLENN CAFRITZ & HARRY GELLER

If Fred Smith's Federal Express revolutionized mail delivery here at home, Harry Geller and Glenn Cafritz are taking the revolution abroad.

Their company, Global Mail, arranges delivery of business mail overseas in half the time and at half the cost of U.S. Postal Service delivery. "If the letter is late or lost, we refund the money or whatever the customer wants," Geller says. How does the company do all that? It shaves off 5% to 70% of typical labor costs by plugging into a network of private mail distributors.

Global Mail started life as a small, unprofitable division of the then-$50-million Sky Courier Network. When the division went on the block, in 1987, Geller and Cafritz, then Sky Courier employees, pooled their savings and bought it. Their dream is to see Global Mail outstrip its former parent in sales. At their present rate of growth, the partners think D-day is only five years away.

PHOTOGRAPH: MANUELLO PAGANELLI

INC. 500

70

EduCare Community Living

Austin, Tex.

Richard Relyea

Whenever Richard Relyea feels weighed down by the pressures of running a fast-growth company, he closes his books and takes a drive to see his business at work. "It always lifts me up," he says. Which isn't surprising, since EduCare, started in 1986, moves the disabled from overcrowded, underfunded institutions and settles them into clean, spacious community housing.

Thanks to shrinking state budgets along with a shift away from institutional care, governments around the country are trying to place more patients back into the community, which is where EduCare comes in. Relyea outfits a home, puts a full-time staff in place, and cares for patients for 60% of what it costs a state to do so.

As for the payoff to the patients, Relyea says simply, "If you treat people as if they're different, they act different; but if you tell them they're better, they act better."

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
61. Ward Petroleum (125) Enid, OK Explores for, produces, & mkts. natural gas & related prods.	3,258%	$146,886	$4,374	D	B	79	70	1971
62. Auto Kontrols Houston, TX Designs, mfrs., & installs electrical systs.	3,128	7,941	246	D	F	40	8	1987
63. Compurex Systems Easton, MA Buys, sells, & leases digital computer equip.	3,064	15,123	478	D	F	16	2	1987
64. Premiere Merchandising Inglewood, CA Provides promotional marketing svcs.	3,043	3,489	111	E	F	12	2	1987
65. National Safety Associates (24) Memphis, TN Mfrs. water- & air-filtration systs.	2,946	284,891	9,353	A	D	650	150	1970
66. Fortitech Schenectady, NY Mfrs. vitamin & mineral premixes	2,902	5,223	174	C	F	18	4	1986
67. Calais Home Houston, TX Builds single-family houses	2,894	9,491	317	D	F	20	5	1986
68. Abacus Technology Chevy Chase, MD Provides info.-systs. consulting svcs.	2,890	12,407	415	C	F	104	9	1983
69. Wind River Systems Alameda, CA Develops & distr. computer operating systs. & development tools	2,871	17,085	575	C	E	125	12	1983
70. EduCare Community Living (15) Austin, TX Provides long-term health care for the disabled	2,862	13,685	462	C	F	328	18	1986
71. Coldwater Creek Sand Point, ID Sells nature-related gifts through a catalog	2,814	10,869	373	A	A	54	4	1984
72. Catapult Graphic Systems Paramus, NJ Sells, svcs., & supports computer graphics systs.	2,785	4,125	143	D	F	8	1	1987
73. Pacific Trading Overseas Miami, FL Exports chemicals & plastic resins	2,769	5,423	189	B	E	3	2	1982
74. Cardboard Gold (208) Santa Ana, CA Distr. sports-collectible supplies & accessories	2,760	11,154	390	C	E	16	2	1985
75. Atlantic Coast Textiles Atlanta, GA Wholesales textiles & linens	2,739	3,322	117	D	E	8	2	1987
76. Intl. Computers & Telecommunications Rockville, MD Supports high-tech systs.	2,682	11,269	405	E	F	205	9	1981
77. Grand Aire Express Monroe, MI Flies on-demand passenger & cargo air charters	2,640	3,808	139	A	A	41	3	1985
78. Montgomery Development Syracuse, NY Provides general-contracting svcs.	2,625	6,349	233	D	D	25	5	1986
79. BitWise Designs Schenectady, NY Mfrs. computers & workstations for imaging marketplace	2,611	2,928	108	D	F	10	6	1985
80. Vermont Teddy Bear Shelburne, VT Mfrs. & sells teddy bears	2,562	5,245	197	E	F	130	30	1982
81. Item Products Houston, TX Creates modular building systs.	2,552	3,845	145	A	A	31	3	1982
82. Tampa Bay Vending Tampa, FL Operates full-line vending co.	2,541	2,747	104	A	C	35	5	1987
83. Collegiate Sports Design New Strawn, KS Mkts. collegiate-sports-championship souvenirs	2,534	4,294	163	F	D	6	1	1986
84. Deneba Systems (84) Miami, FL Develops & mkts. microcomputer software	2,532	8,421	320	A	A	60	10	1986
85. Complete Health Services (494) Birmingham, AL Provides managed-care svcs.	2,483	159,651	6,182	D	F	410	40	1985
86. Fiber Optic Technologies Englewood, CO Designs & installs voice & data network systs.	2,453	5,949	233	D	C	73	4	1985
87. PAI (77) Oak Ridge, TN Provides engineering & environmental-consulting svcs.	2,453	7,454	292	C	C	65	5	1983
88. Summit Marketing Group Rochester, NY Publishes informational dictionaries; mkts. catalog memberships	2,451	4,516	177	D	D	159	6	1987
89. Payroll 1 MidAtlantic McLean, VA Prepares payrolls & payroll taxes	2,424	2,549	101	B	F	52	4	1986
90. Nationwide Remittance Centers McLean, VA Provides national wholesale & retail lockbox svcs.	2,412	9,899	394	F	F	175	12	1985
91. MediServe Information Systems Tempe, AZ Provides software svcs. to hospitals	2,404	2,704	108	B	F	20	4	1985
92. Cap Toys Bedford Heights, OH Mfrs. toys	2,392	18,264	733	C	F	30	5	1987
93. Tramex Travel Austin, TX Operates travel-mgmt. co.	2,365	14,764	599	D	B	37	18	1984
94. Ma Laboratories San Jose, CA Mfrs. computer prods.	2,355	52,470	2,137	D	D	70	5	1983
95. All Green Marietta, GA Provides lawn, tree, & shrub care & indoor pest control	2,330	9,476	390	D	F	240	73	1987

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

PHOTOGRAPH: STEVEN PUMPHREY

INC. 500

99

CENTER FOR APPLIED PSYCHOLOGY

King of Prussia, Pa.

LARRY SHAPIRO

Larry Shapiro was a child psychologist frustrated by the limits of his sole practice. Working with emotionally disturbed children, he constantly felt overwhelmed by the vast number of children in need of help (7 million in this country) compared with the handful of trained therapists. Add to that the fact that most parents couldn't afford therapy.

So in 1985 Shapiro decided to build a business around an idea he used in his own practice: games. Selling to health professionals, institutions, and parents, Shapiro makes games, toys, and books, and distributes them through mail order. Although these tools don't replace therapy, at costs ranging from $10 for books to $50 for big board games, they make therapeutic approaches affordable and thus available to more children.

Shapiro says he's definitely happier as a businessman. "A therapist always has to keep his emotions in check. In business, I can yell whenever I want to."

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
96. Goodman Music Los Angeles, CA Sells musical instruments & recording equip.	2,305%	$10,968	$456	D	D	40	5	1977
97. Sonic Solutions San Rafael, CA Mfrs. software & hardware for digital audio systs.	2,301	5,787	241	A	F	30	6	1986
98. Payroll 1 (140) Royal Oak, MI Provides computerized payroll & payroll-tax svcs.	2,296	3,737	156	C	F	100	12	1986
99. Center for Applied Psychology King of Prussia, PA Distr. psychologically oriented children's toys, games, & books	2,290	4,373	183	D	F	18	3	1985
100. SMTEK (141) Newbury Park, CA Mfrs. electronics for space, defense, & medical mkts.	2,284	9,204	386	D	F	85	13	1986
101. Business Computer Training Institute Mill Creek, WA Runs computer-training schools	2,266	8,801	372	D	F	162	36	1986
102. Ethix (135) Beaverton, OR Provides health-care-mgmt. svcs.	2,236	19,412	831	A	F	341	30	1982
103. Red Rose Collection Burlingame, CA Operates national mail-order co.	2,233	6,345	272	C	F	54	4	1987
104. JTS Enterprises Houston, TX Distr. & trades chemicals & provides consulting svcs.	2,209	18,864	817	D	A	3	1	1986
105. Eastern Computers Virginia Beach, VA Provides systs.- & electronic-engineering prods. & svcs.	2,195	49,834	2,171	C	F	400	75	1980
106. Allstar Builders Miami, FL Provides commercial & industrial general-contracting svcs.	2,182	4,860	213	B	B	18	5	1987
107. MediCenter (178) Lawton, OK Operates company-sponsored medical centers	2,172	12,516	551	B	A	92	17	1984
108. Advanced Systems Technology (195) Atlanta, GA Provides technical & engineering svcs.	2,166	11,669	515	D	F	155	8	1981
109. Marathon Systems San Francisco, CA Develops & integrates business-systs. software	2,138	4,744	212	D	D	47	10	1987
110. DSS Carmel, CA Provides contract food & industrial-engineering svcs.	2,135	4,380	196	D	E	180	5	1985
111. Data Storage Marketing Boulder, CO Distr. microcomputer components & periph.; mfrs. microcomputers	2,109	68,944	3,121	E	D	145	7	1987
112. Vercon Construction Greenville, SC Provides general-contracting svcs.	2,107	32,006	1,450	D	E	55	5	1987
113. ProServe (42) Denver, CO Manages institutional food-svcs. programs	2,107	8,255	374	D	C	325	3	1984
114. Earth Care Paper (39) Madison, WI Retails & wholesales prods. made from recycled paper	2,099	5,102	232	F	C	45	4	1983
115. Symmetrix (30) Lexington, MA Provides engineering svcs.	2,098	18,884	859	C	F	115	12	1986
116. Atlantic Network Systems Cary, NC Distr. data & voice-communications prods.	2,081	2,814	129	D	F	8	1	1987
117. Ribbon Outlet Somerville, NJ Retails ribbon, lace, & trim	2,068	14,354	662	F	F	450	14	1985
118. Corporate Staffing Resources Elkhart, IN Provides temporary, contract technical, & executive-search svcs.	2,011	12,938	613	D	F	60	5	1987
119. Genpack USA Bridgewater, MI Provides contract packaging svcs.	1,985	3,440	165	C	F	20	4	1987
120. Copifax Berlin, NJ Distr. & svcs. copiers, faxes, & digital duplicators	1,944	4,292	210	D	F	42	5	1987
121. Intuit (47) Menlo Park, CA Develops finan. software	1,926	44,539	2,198	C	B	242	13	1984
122. Certified Abatement Systems Houston, TX Removes asbestos & lead paint	1,915	4,010	199	A	C	25	10	1987
123. D. J. King Trucking & Excavating E. Windsor, CT Provides site contracting	1,911	2,614	130	E	F	28	6	1987
124. Microtest (126) Phoenix, AZ Develops & mkts. LAN diagnostic & connectivity prods.	1,894	17,209	863	B	D	108	13	1984
125. SalesTalk Mountain View, CA Provides product demonstrators for mfrs.	1,889	7,359	370	D	D	40	2	1986
126. Gensym Cambridge, MA Supplies real-time expert systs.	1,885	10,499	529	C	F	90	16	1986
127. Technical Management Services Arlington, VA Provides computer-systs.-development consulting svcs.	1,877	6,109	309	C	F	90	15	1981
128. Automated Systems Design Roswell, GA Designs & installs networks	1,861	2,883	147	D	F	32	1	1986
129. Gym Masters (104) Albany, CA Owns & manages fitness centers	1,855	6,237	319	D	F	60	4	1985
130. Digital Network Associates New York, NY Sells equip. & svcs. for interconnecting computer systs.	1,842	5,633	290	B	A	20	2	1985

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

PHOTOGRAPH: DAVID FIELDS

INC. 500

163

McGinnis Farms

Alpharetta, Ga.

Stanley Walker

Three years after Stanley Walker founded his nursery business, a tornado leveled his main office and warehouse. Today Walker calls the natural disaster a blessing. Not only did he post record sales that year, but the experience "created a bond and a sense of loyalty" among employer, employees, and customers. One customer even sent a check for $10,000 to help pay for the cleanup.

Before launching McGinnis Farms, in 1987, Walker had been the general manager for a variety of companies. Over and over, he learned that business is less about products than about people. Putting his theory into practice, he is an open-book manager, shares decision making, and offers 100% health coverage. Twice a year the company transforms itself for Customer Appreciation Day—complete with big top, putting green, and dunking booth. "If customers don't like a price, they can ask salespeople to sit in the dunking chair," Walker jokes. "If someone gets real wet, I know I have to change some prices."

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
131. MediSense Cambridge, MA Mfrs. & sells medical equip.	1,840%	589,782	54,629	F	F	786	193	1981
132. Digidesign (204) Menlo Park, CA Designs, mfrs., & sells digital audio recording systs.	1,833	13,881	718	B	C	84	13	1984
133. Walklett Burns Malvern, PA Provides systs.-integration svcs.	1,794	2,140	113	D	D	30	3	1985
134. Automation Partners International San Francisco, CA Provides technology prods. & svcs. to law firms	1,774	21,795	1,163	F	D	120	10	1986
135. JRL Systems Austin, TX Designs & mfrs. market controllers & printers	1,758	2,935	158	B	C	18	3	1985
136. Advanced Computer Systems (250) Fairfax, VA Develops computer systs.	1,752	11,410	616	D	C	250	25	1982
137. D&K Enterprises Carrollton, TX Mfrs. personalized books & child IDs, & analyzes signatures	1,750	1,924	104	A	A	18	1	1987
138. Bruce Co. Washington, DC Provides environmental-consulting svcs. to federal govt.	1,740	2,134	116	D	B	66	10	1985
139. Thomas-Conrad (22) Austin, TX Mfrs. LAN prods.	1,724	30,614	1,678	D	D	225	13	1985
140. Joe Koch Construction Youngstown, OH Builds single-family homes	1,714	5,532	305	B	D	21	6	1986
141. Spray Systems Environmental Tempe, AZ Provides contract environmental svcs.	1,697	8,626	480	C	C	125	6	1985
142. Coastal Environmental Services Linthicum, MD Provides environmental-consulting svcs.	1,692	2,760	154	D	B	33	4	1987
143. Design Automation Systems Houston, TX Integrates computer systs.	1,687	5,360	300	B	B	14	4	1985
144. Johnson & Co. Wilderness Products Bangor, ME Mfrs. & distr. wilderness prods.	1,686	1,822	102	D	F	13	1	1987
145. Pelton & Associates Redondo Beach, CA Provides marketing-communications svcs.	1,673	8,902	502	D	D	22	8	1987
146. Advanced Cellular Systems Graynaro, PR Provides cellular-telephone svcs.	1,673	8,066	455	D	F	39	4	1986
147. ROW Sciences (139) Rockville, MD Provides health & biomedical-research & computer svcs.	1,641	19,798	1,137	D	D	300	6	1983
148. Cutchall Management (99) Omaha, NE Owns & operates restaurants	1,631	3,324	192	C	D	60	1	1986
149. Atkinson-Baker & Associates Burbank, CA Provides court-reporting svcs.	1,631	3,860	223	D	C	30	3	1987
150. Digital Instruments Santa Barbara, CA Mfrs. high-resolution scanning probe microscopes	1,628	16,591	960	A	A	52	3	1987
151. Northwest Pine Products (327) Bend, OR Produces wood chips for pulp & paper industry	1,628	12,819	742	C	D	34	9	1984
152. Waste Reduction Systems Houston, TX Provides waste-disposal, materials-recovery, & garbage-collection svcs.	1,625	6,643	385	D	F	85	4	1986
153. Command Medical Products Ormond Beach, FL Mfrs. disposable medical prods.	1,613	3,118	182	F	E	130	5	1983
154. H. J. Ford Associates (138) Arlington, VA Provides info.-systs. & engineering svcs.	1,603	8,275	486	C	F	76	5	1981
155. Computer One Albuquerque, NM Sells, svcs., & supports Macintosh & related third-party prods.	1,587	7,507	445	D	F	16	12	1987
156. Recom Technologies (165) San Jose, CA Provides engineering, info.-systs., & technical-support svcs.	1,583	9,172	545	D	D	209	12	1980
157. Fanamation (86) Compton, CA Develops, mfrs., & sells coordinate measuring machines & software	1,578	5,620	335	F	F	48	9	1985
158. Taylor Medical Beaumont, TX Wholesales medical prods.	1,574	81,061	4,841	F	F	500	35	1987
159. Dickens Data Systems (90) Norcross, GA Mfrs. computer periph., publishes software, & integrates systs.	1,565	35,800	2,150	C	B	85	23	1981
160. Travelpro Luggage Deerfield Beach, FL Mfrs. & distr. luggage	1,556	4,090	247	A	F	15	2	1984
161. David Mitchell & Associates (150) St. Paul, MN Provides computer consulting svcs.	1,555	6,671	403	C	C	100	-6	1984
162. Glenn-Runnion Charlotte, NC Provides computer-training svcs.	1,552	1,652	100	B	F	25	4	1986
163. McGinnis Farms Alpharetta, GA Sells nursery stock, landscaping supplies, & irrigation prods.	1,538	7,109	434	D	F	44	12	1987
164. Am-Pro Protective Agency (257) Columbia, SC Provides security-guard svcs.	1,533	34,122	2,089	E	E	1,193	78	1982
165. Loflin Environmental Services Houston, TX Provides industrial hygiene consulting svcs.	1,521	1,767	109	B	A	14	3	1986

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

PHOTOGRAPH: G. PAUL HAYNES

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	'87	No. of employees '91	'87	Date founded
166. SWFTE International (216) Hockessin, DE Develops, mkts., & publishes software	1,520%	$2,025	$125	A	E	11	3	1983
167. Palm Tree Packaging Apopka, FL Mfrs., imports, & exports floral packaging	1,517	2,150	133	D	D	17	2	1987
168. Keypoint Technology Walnut, CA Mfrs. & distr. computer periph.	1,511	60,253	3,740	C	D	54	10	1987
169. World-Wide Refinishing Systems Waco, TX Refinishes bathtubs & tiles	1,499	2,974	186	A	F	20	3	1968
170. Ithaca Software Alameda, CA Develops portable 3-D-graphics software systs.	1,491	2,801	176	B	C	29	5	1985
171. MAR Oil & Gas Santa Fe, NM Produces & sells natural gas & oil	1,490	2,449	154	D	F	4	2	1981
172. J. L. Honigberg & Associates Chicago, IL Imports & distr. specialty fruits & vegetables	1,478	6,547	415	D	D	14	4	1986
173. Regency Coffee New Prague, MN Mfrs. & retails gourmet coffee	1,461	2,810	180	F	F	55	3	1986
174. Custom Applications Billerica, MA Develops & mkts. desktop-publishing software	1,441	5,209	338	B	D	38	3	1986
175. American Fashion Jewels (119) S. San Francisco, CA Retails fashion jewelry	1,429	23,900	1,563	E	D	145	8	1985
176. Creative Products Fairburn, GA Provides contract packaging svcs.	1,420	4,711	310	D	D	109	11	1984
177. Allied Holdings Torrance, CA Operates auto-parts distr., golf-club mfr., & employment & ad agcys.	1,419	30,485	2,007	F	F	200	4	1984
178. Groundwater Protection Orlando, FL Provides environmental drilling & remedial construction svcs.	1,416	6,927	457	D	F	85	8	1986
179. Three Springs (130) Huntsville, AL Provides residential treatment for troubled adolescents	1,415	5,029	332	A	C	89	11	1985
180. PBR Consulting Group Philadelphia, PA Provides PC & tech consulting svcs.	1,412	5,019	332	D	A	52	12	1987
181. Biosym Technologies San Diego, CA Develops, sells, & supports software	1,406	22,869	1,519	D	F	160	50	1984
182. Gardner/Fox Associates Bryn Mawr, PA Provides general-contracting svcs.	1,404	5,100	339	D	D	45	2	1987
183. Maier Group (72) New York, NY Supplies home videos	1,396	6,012	402	C	F	18	7	1986
184. Action Temporary Services Evansville, IN Provides temporary-personnel svcs.	1,393	1,896	127	D	D	7	1	1986
185. S&W Foundation Contractors (294) Richardson, TX Provides foundation, drainage, & structural repair svcs.	1,392	2,014	135	D	E	45	5	1986
186. Tova Industries Louisville, KY Mfrs. dehydrated food prods.	1,383	2,936	198	C	C	30	9	1985
187. Hub City Florida Terminals Orange Park, FL Provides freight-transportation svcs.	1,375	21,738	1,474	D	D	14	3	1986
188. U.S. Computer Maintenance (113) Farmington, NY Provides on-site maintenance of DEC & Sun computer systs.	1,371	4,678	318	B	B	40	8	1986
189. American Fastsigns Dallas, TX Franchises computer-generated vinyl-sign centers	1,365	3,457	236	D	C	28	3	1986
190. MRI Manufacturing & Research (242) Tucson, AZ Mfrs. & develops silicone catheters	1,363	2,707	185	C	F	84	16	1985
191. Combined Resource Technology Baton Rouge, LA Mkts. business-cost-reduction svcs.	1,360	1,489	102	A	F	13	4	1986
192. Iconics (31) Foxborough, MA Develops data-acquisition software	1,347	7,250	501	A	F	50	11	1986
193. Software Technical Services Atlanta, GA Provides software consulting svcs.	1,337	2,846	198	A	C	15	3	1983
194. EMC Engineers Denver, CO Provides utilities, facilities, & environmental-engineering svcs.	1,335	3,687	257	D	F	43	4	1976
195. R&R Recreation Products Englewood Cliffs, NJ Provides marketing & product-development svcs.	1,325	3,377	237	C	F	4	2	1979
196. Noble Oil Services Sanford, NC Provides petroleum-waste-recycling svcs.	1,323	2,647	186	D	A	36	5	1984
197. Micro Information Services (94) Mequon, WI Provides computer-networking svcs.	1,318	3,376	238	D	F	25	3	1983
198. Shepard-Patterson Conshohocken, PA Provides info.-technology svcs.	1,318	1,432	101	D	D	32	4	1986
199. Gupta Technologies (156) Menlo Park, CA Develops & distr. database-mgmt.-systs. software prods.	1,318	21,295	1,502	D	C	141	19	1984
200. Computer Service Supply Londonderry, NH Supplies, repairs, & refurbishes computer parts	1,306	2,418	172	C	F	14	4	1987

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

INC. 500

172

J. L. Honigberg & Associates

Chicago

Janice Honigberg

Janice Honigberg agrees with the old saying that God—and success—is in the details. "We don't do anything new here," she says. "We just do a lot of little things a little better than the rest do."

Selling premium fruits and vegetables to wholesalers and supermarkets since 1986, Honigberg has found her edge in the simple promises she makes and keeps every day. She has been known to drive where truckers refuse to go: when a blizzard shut down the mid-Atlantic market, for instance, she delivered the produce herself. To growers who are normally out of touch with their buyers, she feeds key facts about customer likes and dislikes.

Honigberg, like almost 90% of the *Inc.* 500 CEOs, spent years under the stewardship of others. At General Foods she learned consumer marketing; later at Phibro-Salomon and then Louis Dreyfus she immersed herself in international markets and sourcing abroad. She puts it quite simply: "In each position I learned one part of the puzzle."

PHOTOGRAPH ANDY GOODWIN

	Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	'87	No. of employees '91	'87	Date founded
201.	**Fostec** Auburn, NY Mfrs. fiber optics for illumination	1,305%	$2,009	$143	D	F	28	11	1987
202.	**DAZSER & DAZSER/MD** (82) Tampa, FL Subfranchises Jani-King commercial cleaning operations	1,301	5,171	369	F	A	16	5	1986
203.	**Comprehensive Technologies Intl.** (169) Chantilly, VA Develops software; provides systs. integration & networking svcs.	1,298	33,298	2,382	D	D	547	60	1980
204.	**Stamina Products** Springfield, MO Wholesales home exercise equip.	1,290	13,942	1,003	D	F	14	5	1987
205.	**Union Pointe Construction** Salt Lake City, UT Provides general-contracting svcs.	1,289	7,934	571	D	F	18	5	1986
206.	**Dominant Systems** Ann Arbor, MI Integrates computer systs.	1,289	1,625	117	D	D	10	3	1987
207.	**Country Originals** (424) Jackson, MS Designs & wholesales gifts & decorative prods.	1,275	2,517	183	D	D	22	2	1986
208.	**Audio Partners** Auburn, CA Publishes books on cassette	1,273	1,579	115	D	D	9	1	1987
209.	**American Packaging & Assembly** Albertson, NY Provides contract packaging svcs.	1,267	1,764	129	A	F	200	20	1980
210.	**Peripheral Land** (80) Fremont, CA Integrates mass-storage prods. for microcomputers	1,264	25,140	1,843	D	D	106	25	1985
211.	**Taggart** Cody, WY Manages restaurants, trucking co., mining facility, & gas distributors	1,263	15,669	1,150	F	F	230	36	1986
212.	**Metrographics Printing & Computer Svcs.** Fairfield, NJ Provides printing & computer svcs.	1,261	2,015	148	C	D	10	2	1987
213.	**Securities Service Network** (478) Knoxville, TN Provides investment-brokerage svcs.	1,260	4,636	341	D	C	73	5	1983
214.	**St. Supery Vineyards & Winery** Rutherford, CA Produces & sells wine	1,249	3,453	256	F	F	60	6	1982
215.	**U.S. Hospitality** Nashville, TN Publishes hotel-guest-svcs. directories	1,245	1,385	103	A	D	18	3	1986
216.	**Research Information Systems** Carlsbad, CA Provides computer software & info. svcs.	1,243	3,868	288	A	A	45	5	1982
217.	**Camelot Systems** Haverhill, MA Mfrs. automated liquid-dispensing systs.	1,237	4,654	348	D	E	35	10	1987
218.	**Piedmont Group** Oakland, CA Provides photocopying & desktop-publishing svcs.	1,235	2,029	152	F	F	25	5	1987
219.	**Fulton Computer Products** Rockville Centre, NY Resells computer hardware, software, & periph.	1,229	13,276	999	C	C	20	7	1982
220.	**Pet Ventures** Arlington, VA Operates retail pet-food & pet-supplies stores	1,228	5,829	439	F	C	70	12	1886
221.	**IQ Software** Norcross, GA Develops & mkts. software programs	1,226	7,795	588	A	D	70	10	1984
222.	**HazWaste Industries** Richmond, VA Provides environmental-consulting svcs.	1,219	11,453	868	D	F	159	30	1987
223.	**Small Systems Management** (461) Wilmington, DE Sells, svcs., & installs PCs & LANs	1,218	2,294	174	D	F	7	3	1985
224.	**Carlson Co.** Newport Beach, CA Manages commercial property	1,215	2,209	168	A	B	57	13	1986
225.	**International Computer Graphics** Fremont, CA Distr. computer-aided-design periph.	1,209	23,576	1,801	D	D	28	6	1984
226.	**Personnel Management** (35) Shelbyville, IN Provides temporary-help svcs.	1,207	9,488	726	D	D	45	7	1986
227.	**System Connection** (40) Provo, UT Mfrs. & distr. computer cable & accessories	1,204	6,468	496	C	C	50	4	1985
228.	**Telamon** (368) Indianapolis, IN Distr. & svcs. telecommunications equip.	1,204	9,490	728	D	E	40	8	1984
229.	**Data Sciences** (455) Roseville, MN Mfrs. instruments for biological research	1,202	2,005	154	D	F	33	10	1983
230.	**Fisher Industrial Services** Glencoe, AL Runs hazardous-waste-mgmt. facility	1,200	6,528	502	C	B	78	17	1985
231.	**Neumann Developments** Janesville, WI Builds homes & commercial projects & develops real estate	1,200	17,446	1,342	C	C	40	3	1980
232.	**Van G. Miller** Waterloo, IA Operates buying group for home-medical-equip. cos.	1,197	3,060	236	A	F	13	5	1986
233.	**Jackson Hewitt Tax Service** Virginia Beach, VA Provides income-tax-preparation svcs.	1,197	4,447	343	A	F	72	6	1985
234.	**Sonetics** (222) Portland, OR Mfrs. communication equip. for high-noise environments	1,194	3,390	262	C	B	28	4	1983
235.	**Diversified Pacific Construction** Irvine, CA Provides general-contracting & construction-mgmt. svcs.	1,189	11,616	901	D	E	16	6	1979

* A: 16% or more; B: 11% to 15%; C: 6% to 10%; D: 1% to 5%; E: Break-even; F: Loss

INC. 500

211

TAGGART LIMITED

Cody, Wyo.

JAMES TAGGART

What do a fast-food restaurant, a gas station, a mining company, and a trucking company all have in common? Answer: one owner who gets bored easily.

James Taggart admits his is a motley collection, but points out that all his companies are in "basic industries—low profile, low status, but profitable." An example: "A Kentucky Fried Chicken located in a small town outside the metro area," he says. "It's a deal with limited buyers, but that doesn't mean it's not profitable." Taggart confesses he relies heavily on great managers to hold his menagerie together. How does he find them? Heavy emphasis on a one- to two-hour psychological test for prospective hires. He adds, "Every time we've tried to discount the test, we end up regretting it."

Before launching his own company, in 1986, Taggart worked as an investment banker. Frankly, he says, "I got sick of doing deals for other people, and I hated wearing ties." As good a reason as any to start a company.

PHOTOGRAPH: DEVENDRA SHRIKHANDE

INC. 500

243

ERGODYNE

St. Paul, Minn.

TOM VOTEL

Friends might have wondered if Tom Votel had lost his mind the day he agreed to take over his dad's company. Bankruptcy was a breath away, almost every employee had either quit or been fired, and after two years spent peddling its wares, Ergodyne still didn't have one customer. "All that was left was a stockroom clerk, a secretary, and me," Votel recalls. That was six years ago. Today Ergodyne nears sales of $30 million and is the largest producer of safety equipment for repetitive stress disorders such as carpal tunnel syndrome.

What shifted? Mostly the distribution strategy. At first Ergodyne marketed to insurance companies, hoping they'd recommend the product line to their customers. Far better has been the decision to sell directly to companies with employees at risk. It's not too hard a sell, either, when $56 billion is spent in this country on back injuries alone.

What does Dad think, watching his son breathe new life into his company? "He thinks it's real cool," says the younger Votel.

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
236. Impact Printhead Services (87) Austin, TX Refurbishes printhead components in dot-matrix printers	1,180%	$6,683	$522	B	A	104	10	1984
237. Associated Family Photographers Phoenix, AZ Provides family-portrait photography	1,173	24,658	1,937	D	D	700	200	1984
238. J.B. Dollar Stretcher Magazine (303) Richfield, OH Publishes advertising-coupon magazine	1,162	1,565	124	C	F	7	3	1985
239. Inside Communications Boulder, CO Publishes cycling books & magazines	1,156	2,863	228	F	F	19	6	1987
240. LBS Capital Management Safety Harbor, FL Provides investment advice & money-mgmt. svcs.	1,154	2,031	162	A	B	10	3	1986
241. IVT Limited Huntington Station, NY Provides consulting & finan.-research svcs.	1,151	2,665	213	C	D	4	2	1986
242. Compusense Bedford, NH Develops & integrates computer software & hardware	1,148	1,597	128	A	A	18	2	1983
243. Ergodyne St. Paul, MN Designs, mkts., & sells ergonomic safety equip.	1,147	12,385	993	B	A	27	5	1983
244. Electronic Ballast Technology Torrance, CA Designs, develops, & mfrs. ballasts for fluorescent lamps	1,146	42,218	3,389	C	E	450	55	1982
245. United Staffing (3) Troy, NY Provides employee-leasing svcs.	1,141	33,761	2,720	F	F	42	17	1986
246. Restek Bellefonte, PA Mfrs. gas chromatography prods.	1,137	6,445	521	A	C	61	10	1985
247. Systems & Programming Solutions Milwaukee, WI Provides computer consulting svcs. & custom software	1,135	1,519	123	B	A	25	2	1987
248. Spray-Tech (332) Longwood, FL Provides exterior home improvements	1,131	17,070	1,387	D	D	110	17	1982
249. Directed Electronics (241) Vista, CA Mfrs. electronic automotive-security prods.	1,127	35,222	2,871	D	D	95	38	1986
250. Coverall North America (274) San Diego, CA Franchises commercial cleaning svcs.	1,127	18,302	1,492	D	C	125	18	1985
251. Computerized Diagnostic Imaging Center Riverside, CA Operates radiology imaging centers	1,127	10,413	849	B	B	60	20	1987
252. DataLOK (305) Los Angeles, CA Provides document storage, retrieval, & delivery svcs.	1,125	3,174	259	B	F	41	12	1984
253. Charter Oak Consulting Group Hartford, CT Provides mgmt.-consulting svcs.	1,121	3,652	299	F	C	10	4	1987
254. Delta Environmental Consultants (19) St. Paul, MN Provides environmental-consulting svcs.	1,116	44,528	3,661	D	C	509	88	1986
255. Southern Audio Services (132) Baton Rouge, LA Mfrs. audio equip. for trucks	1,116	8,951	736	C	D	61	11	1983
256. Computer Equity Chantilly, VA Integrates telecommunications & computer systs.	1,115	11,922	981	D	F	49	5	1987
257. Applied Computer Technology Fort Collins, CO Mfrs. & sells computer prods. & svcs.	1,113	5,384	444	D	F	25	2	1986
258. Envoy Global Portland, OR Provides business telecommunications svcs.	1,110	3,969	328	D	F	30	8	1986
259. Kay Construction (367) Wichita, KS Provides general-contracting svcs.	1,097	12,489	1,043	C	D	50	10	1978
260. Advantage Construction & Remodeling Arlington, TX Provides residential remodeling svcs.	1,096	1,974	165	C	B	21	5	1985
261. European Toy Collection Portage, IN Designs, mfrs., & imports children's gifts & toys	1,095	2,342	196	D	C	9	1	1985
262. National Catastrophe Adjusters (500) Indianapolis, IN Provides catastrophic-insurance-adjusting svcs.	1,092	1,574	132	D	F	32	6	1984
263. National Contract Staffing (112) Las Vegas, NV Operates employee-leasing co.	1,088	24,952	2,100	D	F	20	3	1985
264. Sentinel Systems Hampton, VA Distr. AT&T security prods.	1,086	4,601	388	D	F	15	6	1985
265. Hospitality Network Henderson, NE Provides pay movies & cable TV to hotels	1,081	14,885	1,260	F	F	65	12	1983
266. Barclays Law Publishers (234) S. San Francisco, CA Provides info. svcs. for legal profession	1,079	8,243	699	A	A	65	9	1984
267. First Benefit (255) Anderson, IN Provides health-care mgmt. for employee-benefits plans	1,073	5,253	448	D	A	98	9	1985
268. JMR Electronics (430) Northridge, CA Mfrs. computer periph.	1,070	11,627	994	C	D	141	21	1982
269. InfoSource (268) Winter Park, FL Develops PC training software	1,067	1,506	129	E	F	42	3	1983
270. Maritime Services Hood River, OR Provides ship-construction svcs.	1,065	3,904	335	E	E	30	4	1986

* A: 16% or more; B: 11% to 15%; C: 6% to 10%; D: 1% to 5%; E: Break-even; F: Loss

PHOTOGRAPH: STEVE NEDORF

INC. 500

279

Lai, Venuti & Lai

Santa Clara, Calif.

Calbert Lai

When Calbert Lai started his advertising agency, he had one unbendable rule: never hire anyone from the ad business. "Too many ad people are too arrogant to stick to a budget or a schedule," Lai says. "I look for people who know what it's like to have the shoe on the other foot."

Noted for fast turnarounds, Lai, Venuti & Lai turns out creative work in a week, whereas most agencies take three. And it's apparently not at the expense of creativity. Cal Lai guesses he turns away one client a week. Servicing Silicon Valley's high-tech stars, Lai specializes in making bits and bytes sizzle for the consumer.

And while most agencies on Madison Avenue claim that creativity can't be quantified, Lai insists it can. "We agree on measures from the start, and if we don't make them, I tell the client to fire me," he says. So far no one has.

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
271. American Cargo Systems Overland Park, KS Provides transportation-brokerage svcs.	1,064%	55,784	$497	D	F	14	3	1986
272. GS Industries Pasadena, TX Sells & svcs. communication & navigation electronics for ships	1,063	2,001	172	D	A	10	2	1987
273. Scientech (247) Idaho Falls, ID Provides nuclear-safety, environmental, & security svcs.	1,062	21,489	1,849	D	C	198	26	1983
274. A.M. Express (188) Escanaba, MI Provides trucking & heavy-hauling svcs.	1,062	1,754	151	D	B	24	3	1985
275. Sahara Bountiful, UT Provides construction svcs.	1,056	15,143	1,310	C	C	27	7	1985
276. Broadcast Plus Productions Universal City, CA Provides prod. equip. & svcs. to TV industry	1,050	1,564	136	C	F	2	1	1982
277. Vector Engineering Grass Valley, CA Provides solid-waste-mgmt. consulting svcs.	1,048	2,135	186	D	C	32	10	1986
278. World Travel Partners Atlanta, GA Provides travel-mgmt. svcs.	1,043	176,781	15,463	D	D	425	120	1987
279. Lai, Venuti & Lai (454) Santa Clara, CA Provides advertising svcs.	1,041	1,745	153	C	A	12	4	1985
280. Van Mar (219) East Brunswick, NJ Mfrs. & sells women's intimate apparel	1,035	26,718	2,355	D	D	125	14	1980
281. Vanguard Automation Tucson, AZ Mfrs. custom automated-assembly systs.	1,034	6,748	595	D	C	96	1	1984
282. AST/The Data Group Chalfont, PA Provides software applications & svcs.	1,032	8,571	757	A	A	65	6	1979
283. S. Cohen & Associates McLean, VA Provides energy- & environmental-consulting svcs.	1,027	9,058	804	D	C	45	8	1981
284. Achen-Gardner Chandler, AZ Provides general-contracting svcs.	1,025	8,529	758	D	D	55	5	1986
285. DataServ Farmington Hills, MI Provides technological integration svcs.	1,022	4,173	372	B	C	25	6	1986
286. GET Travel (243) Walnut Creek, CA Provides group travel arrangements	1,021	4,025	359	D	D	20	2	1985
287. Groundwater & Environmental Svcs. (167) Wall, NJ Provides environmental-consulting svcs.	1,019	15,563	1,391	A	C	145	12	1985
288. Huckell/Weinman Associates Kirkland, WA Provides economics & environmental-planning consulting svcs.	1,012	1,245	112	C	E	9	2	1986
289. DCT Systems (275) St. Paul, MN Sells & svcs. microcomputers	1,006	103,696	9,372	D	D	189	27	1984
290. Auto-Soft (229) Bountiful, UT Develops & mfrs. inventory-control software	1,001	5,537	503	B	D	45	5	1985
291. Computer Communication Waterbury, CT Provides sales & support of critical core computer components	999	9,796	891	B	B	16	4	1984
292. Hernandez Engineering (145) Houston, TX Provides engineering & technical svcs.	998	16,977	1,546	D	D	345	24	1983
293. Design Fabricators Boulder, CO Mfrs. custom commercial fixtures & furniture	998	3,260	297	B	D	53	10	1987
294. Label Technology Merced, CA Mfrs. & prints labels	997	3,137	286	D	F	30	5	1986
295. Eastern Group (217) Alexandria, VA Explores for & produces gas & oil, & provides related svcs.	990	52,794	4,844	D	B	90	32	1981
296. Papa John's International (380) Louisville, KY Sells take-out pizza	980	19,254	1,782	C	F	220	15	1985
297. Communications, Marketing & Distr. Svcs. Atlanta, GA Warehouses, distr., designs, & prints corporate literature	980	2,085	193	C	E	43	3	1987
298. Sonny Hill Motors Platte City, MO Sells & svcs. automobiles	978	139,808	12,972	D	D	350	40	1987
299. Binary Arts (474) Alexandria, VA Mfrs. & imports puzzles, mazes, maps, & games	970	2,001	187	B	F	5	2	1985
300. Electronic Label Technology (98) Tulsa, OK Mkts. systs. for creating bar-coded labels & tags	964	15,340	1,442	D	D	63	6	1985
301. Artistic Impressions (458) Lombard, IL Sells paintings & lithographs through home parties	962	7,519	708	C	F	38	7	1985
302. ESW Dyer, IN Provides custom industrial training	961	1,411	133	C	F	30	4	1987
303. MC Strategies Atlanta, GA Provides consulting svcs. to health-care organizations	959	4,046	382	C	B	110	17	1986
304. Engineering Management & Economics Rockville, MD Provides computer syst. engineering, prods., & consulting svcs.	955	1,203	114	C	F	15	3	1987
305. Govind & Associates Corpus Christi, TX Provides engineering consulting svcs.	955	7,545	715	D	D	170	25	1984

* A: 16% or more; B: 11% to 15%; C: 6% to 10%; D: 1% to 5%; E: Break-even; F: Loss

PHOTOGRAPH: EDWARD CALDWELL

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
306. USA Direct (293) Manchester, PA Provides direct-mail svcs.	954	$18,164	$1,723	C	F	331	17	1985
307. Sterling Environmental Services Amherst, NY Provides hazardous-waste-mgmt. svcs.	951	4,121	392	C	D	8	3	1985
308. Evergreen Environmental Group (73) Crestwood, KY Provides environmental-engineering svcs.	950	4,230	403	A	A	29	5	1986
309. Chico's (198) Fort Myers, FL Sells women's apparel & accessories	945	23,177	2,217	C	B	240	45	1983
310. Fitec International Memphis, TN Imports & exports commercial fishing prods.	944	34,397	3,296	D	C	480	5	1984
311. TL Care (271) San Francisco, CA Mfrs. & sells infant clothing & accessories	941	3,404	327	D	D	6	2	1985
312. ABA Personnel Services San Francisco, CA Provides employment-search svcs.	937	4,408	425	D	F	12	4	1986
313. United International Engineering Albuquerque, NM Provides engineering svcs.	937	13,710	1,322	B	D	175	14	1982
314. Aztech Controls (85) Mesa, AZ Distr. valves & fittings	935	6,252	604	C	D	20	7	1986
315. Koch International Westbury, NY Records, distr., & mkts. music	931	14,014	1,359	D	D	60	8	1987
316. American Playworld Ogden, UT Mfrs. playground equip.	931	13,903	1,349	B	A	157	29	1978
317. Z-Barten Productions Culver City, CA Mfrs. confetti, gifts, & craft items	928	1,449	141	B	F	25	4	1984
318. Siciliano (411) Springfield, IL Provides construction svcs.	927	7,588	739	D	C	50	8	1968
319. Main Street Muffins Akron, OH Mfrs. frozen bakery prods.	924	1,106	108	C	F	17	6	1986
320. McCool's Carpet Outlet Kokomo, IN Sells flooring prods.	924	2,007	196	B	B	7	1	1967
321. Barclays Oxygen Homecare Englewood, CO Provides in-house oxygen svcs.	920	3,643	357	A	B	32	6	1985
322. ESE Marshfield, WI Provides process control & data-acquisition engineering svcs.	916	2,540	250	D	C	25	3	1981
323. Athletic Fitters (256) Eden Prairie, MN Retails athletic shoes & apparel	916	8,115	799	B	B	41	4	1983
324. Roux Associates (233) Huntington, NY Provides environmental-consulting & -mgmt. svcs.	909	11,895	1,179	D	D	108	20	1981
325. McNerney Heintz (66) Barrington, IL Provides administrative mgmt. svcs. for medical organizations	904	9,357	932	C	C	171	47	1985
326. Precision Response (285) Miami, FL Provides integrated-direct-marketing svcs.	904	16,182	1,612	B	D	250	63	1981
327. Canvasbacks (495) Milwaukee, WI Designs & mfrs. women's sportswear	904	6,744	672	B	C	50	13	1978
328. Fenders & More Nashville, TN Distr. auto parts & accessories	903	9,742	971	D	F	55	6	1986
329. Creative Producers Group St. Louis, MO Produces videos, plans events, & provides training svcs.	902	1,403	140	B	D	10	3	1985
330. Deckers Carpinteria, CA Mfrs., distr., & mkts. sandals	899	11,617	1,163	B	F	200	37	1973
331. Medical Equipment Repair Services Sarasota, FL Sells & svcs. respiratory equip.	898	1,058	106	D	F	14	4	1984
332. MWW/Strategic Communications (158) River Edge, NJ Provides PR svcs.	893	3,138	316	C	D	24	5	1986
333. Leopardo Construction Glendale Heights, IL Provides general-contracting & consulting svcs.	890	55,248	5,583	D	F	105	27	1979
334. Wasser Industries Seattle, WA Provides technical & marketing-communications svcs.	887	3,722	377	D	D	7	2	1980
335. Spec-line Laminated Products Doraville, GA Mfrs. furniture, cabinets, millwork, & specialty wood prods.	884	1,457	148	B	D	31	5	1986
336. Geerlings & Wade Canton, MA Retails mail-order premium wines	880	3,077	314	C	F	13	2	1986
337. Nature's Recipe Pet Foods (170) Corona, CA Mfrs. specialty pet food	880	21,182	2,162	A	A	40	4	1981
338. Safesite Records Management Billerica, MA Provides business-records-mgmt. svcs.	875	6,366	653	F	F	152	25	1986
339. Tri-Services Chesapeake, VA Provides contract general svcs. to the military	873	1,401	144	D	E	50	15	1987
340. MMI of Mississippi (223) Crystal Springs, MS Mfrs. health-care furniture & laboratories	871	2,698	278	A	F	14	9	1986

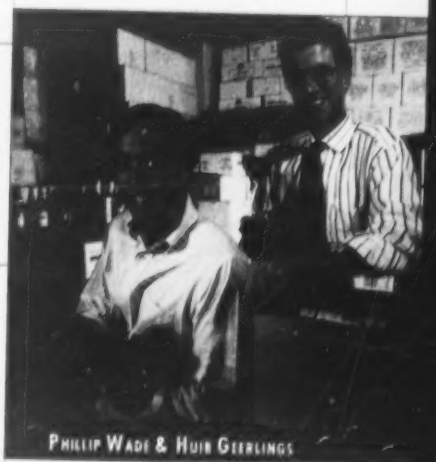
* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

INC. 500

336

GEERLINGS & WADE

Canton, Mass.



PHILLIP WADE & HUIB GEERLINGS

Phillip Wade and Huib Geerlings were roommates and office mates, and each was frustrated with the life of a certified public accountant. They were delivered from their angst in 1986, when they decided to start a business long popular in Europe but rare in the United States—selling premium wine via mail.

To 24,000 subscribers, Geerlings & Wade offers prices averaging 25% less than those of local liquor stores. Every three weeks customers receive a four-page brochure detailing the choice wine and giving tasting notes and tips on what to eat with that wine, along with a brief history of the vineyard. "We see education as part of our business," Wade says, adding that wine aficionados often hunger for more background than a neighborhood retailer can offer. As for the future, Geerlings insists he's with this company for the long haul, but just a few doors away, Wade outlines a thoughtful exit strategy, adding that he and his partner plan to be out of the business in two years. Who knows?

PHOTOGRAPH: RICHARD MITCHELL

INC. 500

347

TOUCHSTONE RESEARCH LABORATORY

Triadelphia, W. Va.

ELIZABETH KRAFTICIAN & BRIAN JOSEPH

As stories go, Elizabeth Kraftician and Brian Joseph have a doozy. Armed only with a dusty secondhand microscope, the two launched their research-and-development company in the basement of a former monastery in 1980. Six years later the two decided to take their partnership one step further—to the altar. And three years later, while recuperating from surgery, Kraftician crafted a high-stakes NASA contract with her husband from her hospital bed.

While American industry divests itself of costly R&D departments, Kraftician and Joseph offer cost-efficient, fast-turnaround R&D for hire. Touchstone services everyone from lone inventors to *Fortune* 500 companies, and its employee roster reads like a *Who's Who* in engineering and industrial problem solving—many employees have decades of previous experience. Kraftician admits she tries "to tease" great minds out of retirement. Says this CEO: "I'm confident these people could rebuild the universe if they needed to."

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
341. Travel Store Los Angeles, CA Provides travel svcs.	868	523,670	52,445	D	D	40	16	1975
342. Oreman Sales (162) Kenner, LA Distr. computers & accessories	868	61,987	6,405	C	D	72	12	1980
343. Flexible Personnel Fort Wayne, IN Runs temporary-employment service	868	7,964	823	F	F	29	10	1980
344. Commonwealth (236) Cincinnati, OH Provides contract warehousing svcs.	866	4,184	433	D	A	30	3	1985
345. Staff Leasing Bradenton, FL Leases permanent employees to businesses	864	154,447	16,027	D	D	11,310	1,001	1984
346. North American Processing Niles, IL Imports & distr. meat prods.	863	137,164	14,237	D	D	13	7	1987
347. Touchstone Research Laboratory Triadelphia, WV Provides R&D svcs.	859	2,291	239	D	F	23	11	1980
348. Remote Control International (79) Carlsbad, CA Provides software-publishing svcs.	858	4,263	445	D	D	50	10	1985
349. Southwest Royalties Midland, TX Produces oil & gas	856	17,589	1,840	D	B	70	17	1983
350. ERM–Rocky Mountain Englewood, CO Provides environmental-consulting svcs.	856	4,750	497	B	B	56	6	1986
351. Applied Utility Systems Santa Ana, CA Provides engineering consulting svcs.	852	6,813	716	D	D	27	7	1985
352. EDECO Tulsa, OK Provides engineering consulting svcs. to petroleum & gas industry	843	7,140	757	C	F	170	19	1972
353. SoMat Urbana, IL Provides data-acquisition-&-analysis-systs. svcs.	841	1,750	186	D	F	10	4	1982
354. Lifle & Co. (16) Salem, NH Provides credit-card-processing svcs.	841	45,954	4,885	D	F	101	25	1986
355. Saturn Electronics & Engineering (307) Rochester Hills, MI Provides electronic- & electromechanical-engineering svcs.	841	14,975	1,592	C	D	325	20	1985
356. R&M Business Systems Elk Grove Village, IL Sells & svcs. office equip.	840	3,534	376	C	F	38	6	1987
357. System Resources (264) Burlington, MA Provides high-tech engineering svcs.	836	12,682	1,355	C	C	139	36	1985
358. Matters Industries (463) McLean, VA Provides systs.-engineering svcs.	836	29,406	3,142	D	F	350	54	1981
359. MDM Engineering (398) San Clemente, CA Provides engineering & technical svcs.	836	10,135	1,083	C	C	125	23	1984
360. Enecotech Group Denver, CO Provides environmental-consulting svcs.	830	14,990	1,611	C	C	200	18	1984
361. Griffis/Blessing Colorado Springs, CO Manages, invests in, & develops real estate	830	1,116	120	A	F	25	4	1985
362. Shields Health Care Brockton, MA Provides medical diagnostic-imaging svcs.	829	28,372	3,054	A	A	120	9	1986
363. Allsup (333) Belleville, IL Provides claims svcs. to health-care industry	827	6,036	651	A	C	89	9	1984
364. Taubner & Associates Stillwater, OK Researches & develops communications software	825	2,247	243	C	F	16	1	1983
365. American International Construction Houston, TX Builds metal structures & mini-warehouses	821	20,245	2,199	D	B	200	7	1985
366. Stretchco Fabrics Hawthorne, NJ Mfrs. stretch-knit fabrics	820	10,015	1,088	D	D	7	3	1987
367. Routing Technology Software (232) Vienna, VA Develops & supports Roadshow software	820	6,736	732	A	F	65	8	1983
368. MBS Communications Cheshire, CT Provides telephone-answering svcs.	817	1,220	133	B	F	33	3	1986
369. Team Spirit (365) Omaha, NE Retails team apparel	817	13,470	1,469	B	B	90	25	1985
370. Gravity Graphics Brooklyn, NY Silk-screens activewear	816	2,556	279	D	C	42	5	1984
371. Hofgard Benefit Plan Administrators Boulder, CO Administers employee-benefits plans	813	1,370	150	F	F	28	3	1986
372. S&S Management & Consulting Somerset, MA Provides mgmt.-consulting svcs. to small & midsize cos.	810	2,166	238	B	F	7	5	1986
373. Saloom Furniture (272) Gardner, MA Mfrs. tables & chairs	807	5,740	633	C	C	65	17	1981
374. Option Technologies Mendota Heights, MN Develops & distr. software & hardware	805	995	110	C	F	7	1	1986
375. Micro Dynamics (245) Silver Spring, MD Develops & mkts. document-imaging & text-retrieval prods.	803	6,585	729	D	E	55	14	1985

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

PHOTOGRAPH: TERRY CLARK

INC. 500

377

GENESIS AUTOMATION

Shelton, Conn.

SAL BROGNA & RICHARD CASLER

Next time you order a soft drink to go at your local Roy Rogers, don't be surprised if Genny fills your cup. Not your average blond, bopping teenager, Genny is a robot. And her creators, Richard Casler and Sal Brogna, are betting she'll be a boon to the fast-food business.

Tired of watching their margins shrink thanks to increased competition and high turnover, fast-food czars—like Burger King and McDonald's—are looking to Genny to speed service, pump more customers through, and make good on their promise of "fast." Typically, Genny shaves a third off the average order time. Speedier lines mean fewer hungry patrons taking their business elsewhere because of the wait, as well as the chance to serve 10 to 15 more customers a day.

As space-age as all this sounds, the cofounders agree their greatest challenge is extremely earthbound. Building the robots is easy, they say. What's hard is uncovering what the customers' needs really are.

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales (5000)	'87 sales (5000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
376. Datastorm Technologies Columbia, MO Develops & publishes software	803%	17,821	1,974	A	D	93	11	1985
377. Genesis Automation Shelton, CT Develops & mfrs. robotic equip. for fast-food industry	800	2,088	232	F	A	13	5	1986
378. Refco Investments Melrose Park, IL Leases packaging & processing equip.	799	1,178	131	A	A	4	2	1984
379. Environmental Operations St. Louis, MO Provides environmental-consulting svcs.	799	1,824	203	D	D	29	4	1986
380. ABL Electronics Hunt Valley, MD Mfrs. & distr. computer & networking cabling & accessories	792	3,204	359	D	C	39	18	1981
381. Barry T. Chouinard Northfield, VT Dyes textiles & distr. T-shirts	791	3,672	412	C	B	20	6	1975
382. American Insurance Management Group Atlanta, GA Provides insurance-brokerage svcs.	791	15,709	1,764	D	F	100	12	1986
383. Commercial Benefits Woodland Hills, CA Sells life & health insurance; provides employee-benefits svcs.	790	2,563	288	A	D	20	7	1987
384. Compu-Call N. Attleboro, MA Purchases & sells computer hardware in the IBM marketplace	789	5,202	585	D	D	9	3	1987
385. Terra Vac (284) San Juan, PR Provides environmental-cleanup svcs.	789	14,244	1,602	C	B	32	15	1985
386. Integratrak Seattle, WA Develops telemanagement software	789	2,186	246	B	F	27	8	1986
387. Allen Systems Group Naples, FL Sells computer software	788	8,198	923	C	B	120	10	1986
388. Wek Enterprises Buena Park, CA Mfrs. cotton clothing	783	7,358	833	D	D	35	4	1987
389. EnviroSearch International Salt Lake City, UT Provides environmental-consulting & -engineering svcs.	783	2,111	239	D	B	39	5	1984
390. Landex Construction San Diego, CA Provides commercial & light industrial construction svcs.	782	7,024	796	D	F	21	4	1983
391. Traco Manufacturing Orem, UT Mfrs. & resells portable shrink-wrap machines & other prods.	778	2,827	322	B	B	14	5	1986
392. Modern Technologies (172) Dayton, OH Provides technical & engineering svcs.	777	32,936	3,756	C	B	477	81	1985
393. Todisco Jewelry New York, NY Mfrs. jewelry	772	4,003	459	D	F	100	3	1986
394. Integrity Industries Kingsville, TX Mfrs. specialty chemicals	772	6,253	717	C	D	16	4	1986
395. Penn Property & Casualty (443) Lemoyne, PA Provides insurance & surety-bond brokerage svcs.	770	3,690	424	D	E	10	2	1985
396. Concord Holding New York, NY Administers & distr. mutual funds	770	13,959	1,605	A	F	56	7	1987
397. Knowledge Systems (214) Cary, NC Provides object-technology software & svcs.	768	2,040	235	F	F	29	2	1986
398. Heritage Asset Management Group (407) Dallas, TX Provides real-estate svcs.	767	1,752	202	D	A	72	14	1985
399. Asia Source Fremont, CA Wholesales computer parts & systs.	765	67,021	7,750	D	E	50	1	1987
400. Logos Systems Houston, TX Develops health-care software & svcs.	765	908	105	F	F	10	3	1987
401. Sun Coast Resources Houston, TX Wholesales gasoline & diesel fuel	764	86,154	9,972	D	D	14	7	1985
402. Zeiders Enterprises (330) Woodbridge, VA Provides professional mgmt. svcs.	764	3,515	407	D	C	90	10	1984
403. Carretas Albuquerque, NM Designs & fabricates kiosks, pushcarts, & store fixtures	761	1,868	217	D	F	30	4	1987
404. Marketing Profiles (190) Maitland, FL Develops & mkts. database software for finan. institutions	760	8,379	974	C	B	53	5	1984
405. Summit Builders Phoenix, AZ Provides general-contracting svcs.	760	27,216	3,164	D	D	49	21	1986
406. Microserv (321) Kirkland, WA Provides technical svcs.	754	5,485	642	D	B	98	14	1986
407. Optimation Technology Rush, NY Provides industrial-engineering & systs.-integration svcs.	753	1,441	169	C	F	25	5	1985
408. Turbine Consultants Milwaukee, WI Provides svcs. & repairs to electric-utility cos.	750	5,294	623	A	A	11	4	1984
409. Oakville Forest Products (152) Oakville, WA Produces wood chips & pulp for paper industry; dries lumber	750	6,883	810	D	A	17	7	1986
410. Strifler Group Dallas, TX Provides info.-systs. consulting svcs.	749	2,200	259	A	A	30	5	1984

* A. 16% or more; B. 11% to 15%; C. 6% to 10%; D. 1% to 5%; E. Break-even; F. Loss

PHOTOGRAPH: CHRISS WADE

411

Gulf Coast Hair Care

Panama City, Fla.

David Flaat

Four months ago Mary Easom found herself short on money to pay her home mortgage. Three days later her boss, David Flaat, lent her the money. Two months ago Dorothy Haw's car-repair bill caught her off guard. Five days later her boss, Dave Flaat, paid the bill. While Flaat insists he's in the hair business, not the banking business, he says it's his job to be there for his employees.

And the numbers prove he's right. The owner of 11 Cost Cutter franchises, Flaat typically reports weekly sales of $8,000 for each, compared with the average Cost Cutter franchise's $3,500. Catering to a walk-in $7.95 snip-'n'-go clientele, his salons sell almost twice the high-margin shampoos and conditioners that most of his fellow franchisees' do. From tying salary to salon performance to bi-weekly drawings for prizes like VCRs and movie passes—to extending personal loans—Flaat is always searching for new ways to keep employees happy and on their toes.

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
411. Gulf Coast Hair Care (185) Panama City, FL Operates hair-salon franchise	749%	52,597	5306	D	F	140	30	1985
412. Kenley Mason, OH Mfrs. & distr. holiday prods.	747	2,583	305	A	F	6	1	1985
413. Plastronics Plus E. Troy, WI Provides custom plastic injection molding	744	4,982	590	D	D	80	15	1985
414. Nutech Laundry & Textiles (457) Hyattsville, MD Manages laundry-plant & hotel-laundry systs.	744	3,901	462	C	F	130	20	1984
415. Western Fiberglass Windsor, CA Mfrs. fiberglass secondary containment	740	2,074	247	F	D	30	5	1983
416. Boston Preparatory New York, NY Mfrs. sportswear	737	1,172	140	A	C	4	1	1986
417. Field Brothers Construction (131) Marion, OH Provides general-contracting svcs.	736	12,115	1,450	C	B	155	25	1975
418. HMA Behavioral Health (339) Worcester, MA Provides medical & mental-health screening svcs.	731	2,268	273	D	B	22	6	1982
419. SVL Analytical Kellogg, ID Provides environmental-monitoring, -cleanup, & -analysis svcs.	727	3,068	371	D	F	75	7	1972
420. OCS Group Pittsford, NY Provides info.-mgmt., engineering, & technical-writing svcs.	726	5,661	685	B	D	119	18	1982
421. MIC Industries Reston, VA Mfrs. mobile auto-building machines	724	20,696	2,513	A	D	98	7	1981
422. TME (410) Houston, TX Develops, finances, & manages outpatient diagnostic-imaging centers	722	12,237	1,489	F	F	171	60	1983
423. Design Basics Omaha, NE Designs, catalogs, & mkts. home plans; publishes home-plans magazine	721	2,111	257	A	F	28	9	1983
424. Arbor Systems Carrollton, TX Mfrs. & mkts. aftermarket computer & communications equip.	721	2,611	318	C	D	16	3	1987
425. Proteus (342) Albuquerque, NM Provides computer-systs.-integration prods.	715	4,883	599	D	C	79	10	1980
426. Lifetime Products (337) Clearfield, UT Mfrs. basketball equip.	715	27,133	3,330	C	D	218	64	1986
427. Gale Group (230) Winter Park, FL Designs, mfrs., & mkts. retail lawn & garden prods.	715	58,086	7,131	F	D	400	80	1981
428. Bulk International (421) Troy, MI Sells candy, nuts, & gifts in bulk	714	16,251	1,997	D	F	138	22	1983
429. Stone Computer & Copier Supply Tulsa, OK Distr. computer & copier supplies	711	2,936	362	D	E	18	5	1986
430. ATV (296) Cleveland, OH Wholesales & distr. computers	710	21,404	2,641	D	F	52	20	1980
431. Pioneer Software Raleigh, NC Develops software	709	2,329	288	B	B	27	4	1986
432. Florida Marketing International Ormond Beach, FL Provides Macintosh training seminars & tutorials	707	7,649	948	A	A	23	8	1987
433. Bendco/Bending & Coiling (418) Pasadena, TX Mfrs. pipes & pressure vessels	704	4,360	542	D	A	53	23	1984
434. Globaltec Titusville, NJ Sells electronic digital balances	702	2,495	311	D	D	16	7	1986
435. Bike Pro USA (488) Phoenix, AZ Mfrs. bicycle packs & bags	700	1,024	128	D	E	26	8	1985
436. Horizon Data (108) Reston, VA Integrates computer & knowledge-based systs.	700	10,382	1,298	C	C	50	12	1983
437. Partnership Group (202) Lansdale, PA Provides child care, elder care, & referral svcs.	699	7,413	928	D	F	100	20	1982
438. Complete Property Services Oldsmar, FL Provides general-contracting & insurance svcs.	698	2,435	305	B	C	25	4	1984
439. Mattern Construction Preston, CT Provides general-contracting svcs.	698	2,865	359	C	A	9	1	1987
440. Quintiles Transnational (402) Morrisville, NC Provides health-care consulting & mgmt. svcs.	697	30,461	3,821	C	C	320	45	1982
441. Sunrise Terrace Fairfax, VA Develops & manages housing for the elderly	697	12,157	1,525	C	C	378	100	1981
442. Sherikon Chantilly, VA Provides engineering & other svcs.	696	14,128	1,774	D	E	193	16	1985
443. Music Tech of Minneapolis Minneapolis, MN Runs private music school specializing in popular music	694	1,406	177	D	D	50	12	1985
444. Northwest Micro Beaverton, OR Integrates microcomputer systs. & distr. microcomputer components	694	7,395	931	D	D	19	4	1987
445. U.S. Xpress (338) Tunnel Hill, GA Provides interstate motor-carrier svcs.	691	141,928	17,932	D	D	2,104	270	1985

* A: 16% or more; B: 11% to 15%; C: 6% to 10%; D: 1% to 5%; E: Break-even; F: Loss

PHOTOGRAPH © PAUL HAYNES

INC. 500

461

Humanix Temporary Services

Spokane, Wash.

Julie Prafke

Talk about a twist of fate. For 20 years Julie Prafke was a secretary to some of the biggest executives in town; today some of those same execs are turning to her for a job. Her company, Humanix, is a temporary-placement agency, and, about the turn of events, Prafke calls it the ultimate compliment: "It says volumes about our reputation."

Prafke's foray into temp services appeared doomed when the company she worked for went belly-up after seven months. But an investor eager to recoup the $100,000 he'd pumped into the failed agency offered Prafke the client list and enough backing to start her own company in 1986. Within a year the investor had made back his money, and in two and a half years Prafke bought him out.

As for those early days, she calls them her training ground. "Who knows better than a secretary what it takes to make an employee happy?" Testifying to that, Prafke's turnover rate is about 30% lower than the industry norm.

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	Profit range* '87	No. of employees '91	No. of employees '87	Date founded
446. Magnet (334) Washington, MO Mfrs. advertising refrigerator magnets	688	$12,679	$1,609	C	D	192	25	1983
447. Loan Pricing (161) New York, NY Provides database svcs. to finan. institutions	688	3,717	472	D	F	41	11	1985
448. Energy Dynamics (203) New Berlin, WI Mfrs. diesel electric-generator sets	687	10,088	1,282	D	C	26	7	1984
449. U.S. Structures Richmond, VA Builds wooden patio decks	686	11,000	1,400	F	C	25	4	1980
450. Univest Financial Group Marietta, GA Audits & analyzes mortgages & loan portfolios	686	16,500	2,100	A	F	75	26	1985
451. Source Technologies (356) Charlotte, NC Sells computer printers	683	5,436	694	D	D	16	3	1986
452. Pleasant Co. (69) Middleton, WI Mkts. children's merchandise	683	64,263	8,210	B	F	228	23	1986
453. Skender Construction Palos Hills, IL Provides construction-mgmt. svcs.	682	4,272	546	F	C	28	6	1979
454. GreenLine Bowling Green, OH Grows & processes fresh green beans	682	2,228	285	D	F	32	11	1986
455. Zia Cosmetics (426) San Francisco, CA Mfrs. natural skin-care prods.	679	1,247	160	D	E	16	3	1985
456. Cadmus Group Waltham, MA Provides environmental-consulting svcs.	676	6,453	832	D	D	90	20	1983
457. Buschman Cleveland, OH Mfrs. paper prods.	675	1,310	169	A	D	11	2	1976
458. Megasource (235) Bloomfield Hills, MI Provides health-care consulting svcs. & software	673	7,162	926	A	F	63	13	1983
459. Hazco Services Dayton, OH Distr. safety equip. to hazardous-waste industry	671	11,090	1,438	C	B	65	15	1986
460. Schweitzer Engineering Laboratories (273) Pullman, WA Designs & mfrs. protective relays for electric-utility cos.	670	15,634	2,030	A	A	84	17	1982
461. Humanix Temporary Services Spokane, WA Provides temporary svcs.	670	2,663	346	D	D	9	3	1986
462. PPOM (154) Southfield, MI Provides PPO health-care svcs.	669	12,394	1,612	D	D	115	32	1982
463. Executive Software (76) Glendale, CA Develops & mkts. software for VAX/VMS computers	667	15,210	1,982	B	C	95	12	1981
464. Schnaubelt Shorts (399) Coraopolis, PA Mfrs. & sells designer bicycle apparel	666	1,387	181	C	F	47	27	1983
465. FourGen Software (146) Edmonds, WA Develops & sells accounting software & CASE tools	665	5,051	660	C	C	84	15	1982
466. Forcum/Mackey Construction Ivanhoe, CA Performs commercial & industrial construction work	663	7,963	1,043	D	D	18	14	1983
467. Home Care Affiliates (128) Louisville, KY Provides home health-care svcs.	662	31,157	4,091	D	F	436	133	1986
468. Harmony Schools (480) Princeton, NJ Provides child-care svcs.	661	2,663	350	D	F	104	60	1980
469. Roslynn Business Products Hazlet, NJ Contracts out business-form & commercial printing projects	660	1,041	137	D	F	6	1	1985
470. Posi-Clean Wheeling, WV Rebuilds & mfrs. engine oil coolers & heat exchangers	659	2,019	266	B	D	28	8	1985
471. Mendez Excavation Breckenridge, CO Provides general-contracting svcs.	659	2,906	383	B	A	35	5	1982
472. Loop Restaurant Jacksonville, FL Operates restaurants	658	4,788	632	B	A	75	10	1981
473. Creative Staffing Miami, FL Provides temporary & permanent job-placement svcs.	658	7,144	943	D	D	24	4	1985
474. Cucci International Torrance, CA Mfrs. screen-printed & embroidered apparel	657	2,930	387	C	C	34	3	1981
475. Metalize Texas Bastrop, TX Provides electrochemical metallizing svcs.	656	885	117	E	F	25	5	1985
476. Diplomatic Language Services Arlington, VA Provides language training & translation	655	2,750	364	D	A	122	36	1980
477. SNL Securities Charlottesville, VA Publishes newsletters & databases for finan.-svcs. industry	654	2,337	310	C	F	27	8	1987
478. NationaLease Purchasing Oakbrook Terrace, IL Operates truck-leasing cos.	654	23,664	3,140	D	D	17	6	1965
479. CMS Communications (45) Bridgeton, MO Sells, maintains, & repairs telecommunications equip.	649	18,283	2,440	C	B	152	72	1981
480. Authorized Cellular/Security One Roseville, MI Sells & svcs. cellular phones	646	1,828	245	B	F	20	2	1983

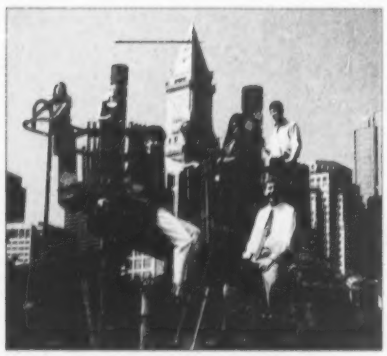
* A: 16% or more; B: 11% to 15%; C: 6% to 10%; D: 1% to 5%; E: Break-even; F: Loss

PHOTOGRAPH J. CRAIG SWEAT

Company (1991 rank) Business description	Sales growth 1987–91 (% increase)	'91 sales ($000)	'87 sales ($000)	Profit range* '91	'87	No. of employees '91	'87	Date founded
481. Thomure Medsearch St. Louis, MO Provides physician recruiting & placement svcs.	644	$1,599	$215	B	A	50	4	1987
482. DCS Software & Consulting (388) Dallas, TX Provides IBM-computer consulting svcs.	644	4,439	597	D	D	90	17	1981
483. Supplemental Health Care Services Tonawanda, NY Provides medical-staff-placement svcs.	641	6,515	879	F	C	1,100	40	1984
484. AccSys Technology (206) Pleasanton, CA Designs & mfrs. linear accelerator systs. & related components	640	3,256	440	D	F	22	7	1985
485. Visual Concepts Media Bloomfield, CT Produces corporate videos	638	826	112	D	A	6	2	1987
486. De-Mar Clovis, CA Provides plumbing, heating, & air-conditioning svcs.	632	3,109	425	B	C	35	5	1976
487. J and M Laboratories Dawsonville, GA Develops, mfrs., & researches hot melt equip.	628	2,861	393	A	B	50	8	1985
488. Monterey Homes Scottsdale, AZ Builds luxury communities	627	20,528	2,822	D	F	30	5	1986
489. American Teleconferencing Svcs. (157) Overland Park, KS Provides conference-call svcs.	627	3,462	476	D	A	43	8	1984
490. Asosa Personnel Tucson, AZ Provides personnel recruiting & temporary-help svcs.	627	4,087	562	D	F	22	15	1964
491. National Business Group Atlanta, GA Distr. computer connectivity hardware & software	626	8,652	1,192	D	D	13	4	1987
492. CareFlorida Miami, FL Provides HMO svcs.	624	75,677	10,454	D	F	189	50	1985
493. Dan Flickinger Inc. Seattle, WA Owns contemporary-home-furnishings stores	624	1,802	249	F	F	9	3	1987
494. Reunion Time Tinton Falls, NJ Provides class-reunion-planning svcs.	622	2,511	348	C	F	11	4	1985
495. Tracer Research Tucson, AZ Detects contaminants in soil, water, tanks, & pipelines	620	8,943	1,242	C	F	93	23	1984
496. Phoenix Controls (101) Newton, MA Mfrs. laboratory airflow-control systs.	618	7,662	1,067	D	F	74	8	1985
497. Apogee Research (163) Bethesda, MD Provides financial-consulting svcs.	614	3,065	429	D	D	35	6	1986
498. Mastersoft (269) Scottsdale, AZ Develops & publishes software	614	2,043	286	A	F	16	5	1986
499. Copyco Deerfield Beach, FL Distr. copiers, faxes, & digital duplicators	614	6,706	939	D	F	89	16	1986
500. Falcon Microsystems Landover, MD Distr. & integrates Macintosh LANs & software	606	138,938	19,679	D	F	249	82	1983

* A: 16% or more; B: 11% to 15%; C: 6% to 10%; D: 1% to 5%; E: Break-even; F: Loss

How the Inc. 500 Are Selected



The Inc. *500 team members responsible for this year's listing are (seated, in foreground) Stephanie Gruner and Christopher P. Fontes, a senior at Harvard; (standing, left to right) Merritt T. Carey, a recent graduate of Brown; Betsey Winckler; Sandra Miller; Rachel S. Tsutsumi, a junior at Yale; and Andrew S. A. Macaulay, a senior at Hobart. Not pictured: Vera Gibbons and Phaedra Hise.*

THIS YEAR'S INC. 500 WERE SELECTED FROM more than 21,000 candidates. To be eligible, a company must be independent and privately held; must show at least $100,000 in sales, but no more than $25 million in sales, for 1987; and must show a sales increase between 1990 and 1991. Sales figures for agencies (such as travel agencies, collection agencies, advertising agencies, and so on) are net sales to the company. Regulated banks and utilities are not eligible. We verified information using tax forms and confirmation letters from certified public accountants, and through telephone interviews with company officials. The final ranking is a function of percentage sales growth over the five-year period.

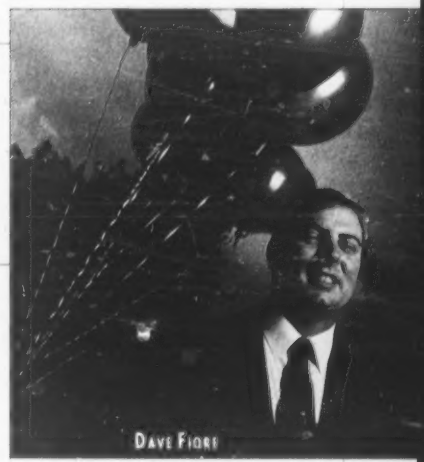
The 1992 *Inc.* 500 list was prepared under the direction of special-reports editor Elyse M. Friedman. Staff writer Elizabeth Conlin wrote the commentary that accompanies the listings.

INC. 500

494

Reunion Time

Tinton Falls, N.J.



Dave Fiori

Some would say David Fiore goes to absurd lengths to ensure his class reunions are well attended, whether it means scouting out a monk secluded in the hills of Italy or passing the invitation on to a U.S. marine while he's dropping bombs on Libya. But then that's Reunion Time's business.

Organizing class galas used to fall on the shoulders of homemakers, but as more women enter the work force, fewer have the time and energy. Recognizing this need, Fiore quit his job at Prudential Insurance in 1986 and started crashing reunions and asking questions. Now the largest player in the business, Reunion Time promises customers 90% attendance, whereas the average class committee gets 65%. Orchestrating everything from invitations to entertainment to catering, Fiore pulls an event off for the same price a class committee doing its own affair would pay. How? Sheer volume. This Thanksgiving, while Fiore sits down to a turkey dinner, his company will be throwing 50 reunions in five states.

PHOTOGRAPHS: LARRY FORD (TOP); RICHARD MITCHELL (BOTTOM)

THE AMERICAN DREAM

BUSINESS FOR SALE
NORTH CAROLINA GOLF RESORT

THE BUSINESS Fairways in the foothills of the Smoky Mountains. A 25-year-old golf resort and championship course where 35,000 rounds are played annually, virtually year-round, in a temperate clime. The 18-hole, 72-par course draws 90% of its income from out-of-town golfers. Golf packages account for 65% of revenues. Memberships, daily fees, and food and beverage sales make up the rest. Facilities include six buildings, among them a rustic clubhouse and a full-service dining room that seats 100. Additional buildings—six cottages and four townhouses—serve as guest accommodations. Adjoining acreage could be developed.

FINANCIAL SUMMARY

	1989	1990	1991
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

PRICE $5 million

OUTLOOK Growth in the market is above par. The number of golfers hitting the greens has soared—it's up nearly 40% in the past five years. With more than two-thirds of this course's clientele returning from year to year, the customer base is stable, if small. The number of rounds played is low for a location that enjoys 70-degree days even in January. Better marketing might attract younger players and more play.

PRICE RATIONALE The owner assigns nearly $3 million of his $5-million price tag to the course itself. At 7 times cash flow, his valuation is generous but not unrealistic. Multiples can range from 4 to 10, experts claim. Besides, golf courses typically cost $2 million to $3 million to construct new. It's the additional real estate being sold with the resort that may not warrant the total price. Valued at almost $2 million, 30 building lots and 250 undeveloped acres could be expensive baggage for a buyer. Beautiful views won't service the debt.

PROS Healthy cash flow and lots of land spell expansion potential. Plus, a residence is thrown in. Devise a marketing plan on the back nine. Get a tee time whenever you want it.

CONS Servicing millions in debt could land a new owner in the rough. Regardless, you'll have a new handicap: a 20-year-old irrigation system and an aging fleet of 80 golf carts that'll cost half a million to replace. And what if it rains? The bottom line takes a beating in bad weather.

***Inc.* has no stake in the sale of the business featured.**

The magazine cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to David Haynes, P.O. Box 928, Waynesville, NC 28786.

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